EXHIBIT 8

RO-6-141

City of San Diego Housing Inventory Annual Report

A Closer Look at Housing Affordability, Supply, and Production

2018

The City of SAN DIEGO

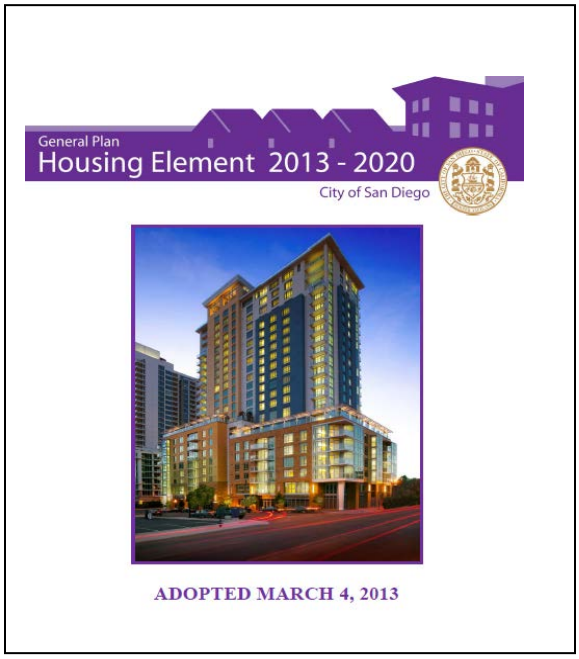
Cover photo: North Park Seniors, North Park, 194 total units (76 affordable senior apartments)

Executive Summary

Background

The City of San Diego (City) has been identified as one of the least affordable cities in the United States. Local leaders have described the issue as "the single greatest threat to our region's economy."[1] The lack of affordable housing is not only a problem for low income residents and for those with special needs, but also for moderate-income working families and young professionals. Approximately "70 percent of moderate-income households cannot afford home ownership, and more than 30 percent cannot afford rent."[2]

To accommodate San Diego's growing population and continued economic development, housing production must meet both present and future demands. Housing is a critical component to employee retention, recruitment, and cost. High home prices burden the region's infrastructure and environment, making it more difficult for San Diego businesses to compete locally and globally.



Purpose

The purpose of this document is to provide an overview of the progress toward goals outlined in the General Plan Housing Element adopted by City Council in March 2013. This report provides a summary of the first five years of the current Housing Element cycle (2013 to 2017) based on information contained in each of the Housing Element Annual Progress Reports. The data was compiled in coordination with the City's Planning and Development Services Departments, Civic San Diego, the San Diego Housing Commission, as well as other agencies and service providers. Further, this document includes information pertaining to the city's existing housing supply, affordability, and recent actions to increase housing production.

The Housing Inventory Annual Report demonstrates that while the City is actively taking steps to increase housing production, the market is still not keeping up with demand. This is especially true in very-low and low-income housing, and even more so in moderate-income housing, as evidenced in this report. The report, which will be prepared annually, will help to better understand the housing crisis in the short term and help gauge what strategies are producing results in the long term.

[1] City of San Diego Office of the City Auditor. "Performance Audit of the Affordable / In-Fill Housing and Sustainable Buildings Expedite Program." December 2016.

[2] San Diego Housing Commission. "Addressing the Housing Affordability Crisis." September 12, 2017.

Format

This report is organized into the following sections:

Section 1 Discusses housing affordability, demand, and supply.

Section 2 Summarizes housing production, preservation, and rehabilitation.

Section 3 Describes incentives being offered to promote housing production.

Section 4 Explains the role of community plan updates in providing capacity for housing units.

Section 5 Outlines the Housing SD Plan to increase housing production and affordability.

Streetcar Rowhomes, University Heights, 12 total units

Section 1 – Trends in Housing Affordability and Supply

Trends in the Housing Market

With a growing population and increasing home prices, many San Diegans are finding it increasingly difficult to afford a place to live. The housing challenges in San Diego are complex, and building a comprehensive inventory of trends, including supply and demand, is a critical step to help understand San Diego's housing situation to formulate solutions.

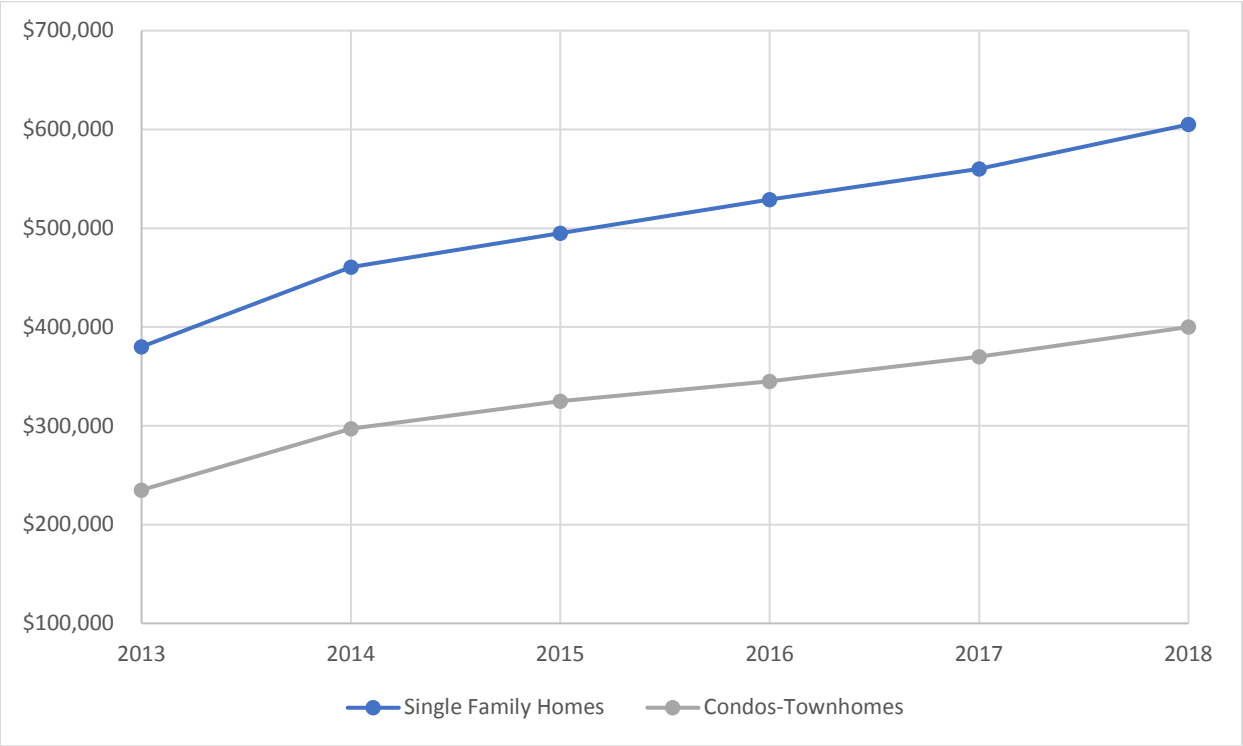
As San Diego's economy continues to grow, the demand for additional housing grows even stronger. However, the cost of both owning a home and renting a home has been steadily increasing over the past several years, and a growing population is finding lower vacancy rates and fewer housing options. High home prices make it more difficult for employees to find housing, placing San Diego at a disadvantage when compared to other cities with lower home prices. This is especially true in regards to workforce housing as there is a severe shortage of housing to accommodate the middle-class workers that are vital to San Diego's economy. While the City has undertaken an unprecedented number of reforms in the past few years, it may take some time to start seeing results.

Ten Fifty B, Downtown, 229 affordable units

According to the San Diego Association of Realtors, the median home price in the region has grown to $605,000. This is up 8 percent from January 2017, when the median price was $560,000. Further, the median sales price for condos/townhomes rose from $370,000 to $400,000 over the same time period. This means the average San Diego household spends well above 30 percent of their income on housing, and more than 70 percent of San Diegans cannot afford to buy a home. Figure 1.1 below illustrates the rising cost of housing and the median home sales price increases from 2013 to 2018 for the San Diego region.

COMM22, Southeastern, 200 affordable units

Figure 1.1 Regional Median Home Sales Price

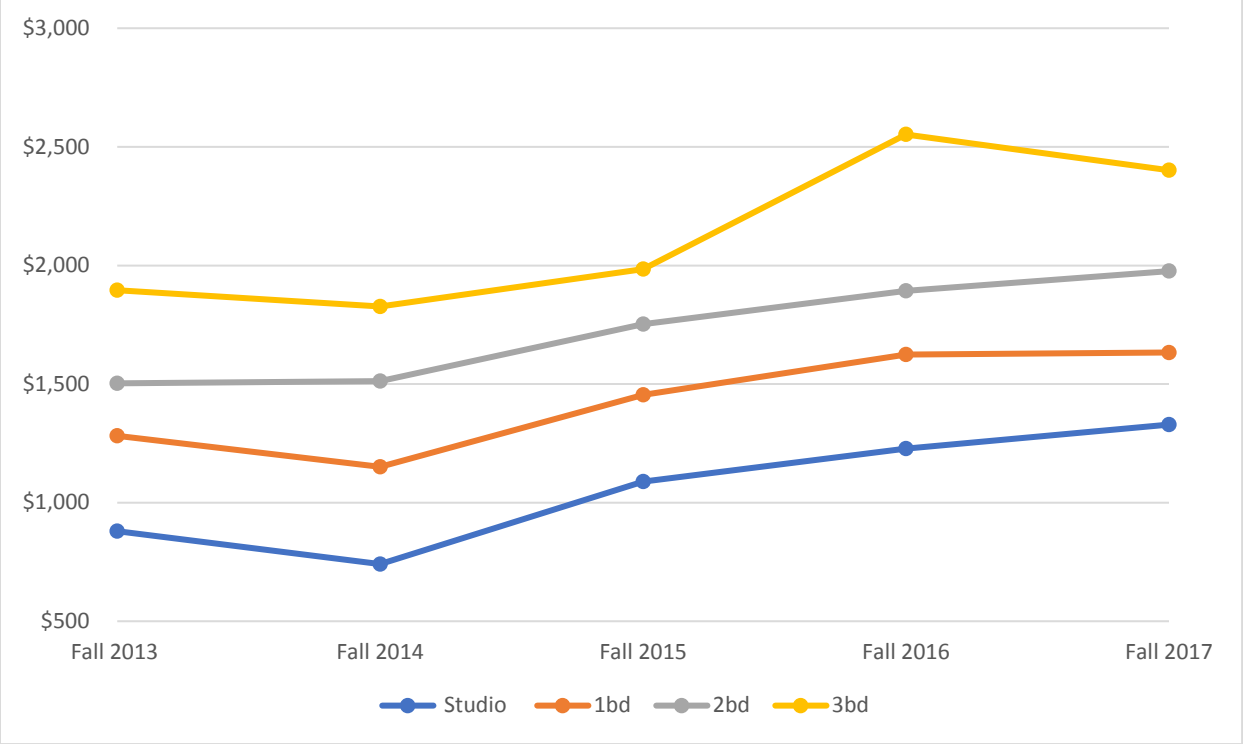


Source: Greater San Diego Association of Realtors Housing Supply Overview (2013-2018)

Casa Mira View, Mira Mesa, 2,300 units (230 affordable)

Lack of affordable housing is not only a problem for home buyers, it is also a major problem for renters. Data collected from the San Diego County Apartment Association's Fall Rental and Vacancy Surveys from 2013 through 2017 shows the weighted average monthly rents within the city (Figure 1.2). Average monthly rents in the city were collected based on the number of bedrooms per unit. From 2013 to 2017, the percent change in overall monthly rental rates in the city increased by 34 percent, with the most dramatic increase reflected in studio units at a 51 percent increase in rental rates. One- and two-bedroom unit rental rates also showed a steady increase. While three-bedroom monthly rental rates were slightly lower in 2017 compared to the previous year, the average rental rate was still much higher than prior years.

Figure 1.2 Citywide Average Monthly Rental Rate by Unit Type



Source: San Diego County Apartment Association, Fall Vacancy and Rental Rate Surveys (2013-2017)

Housing Supply

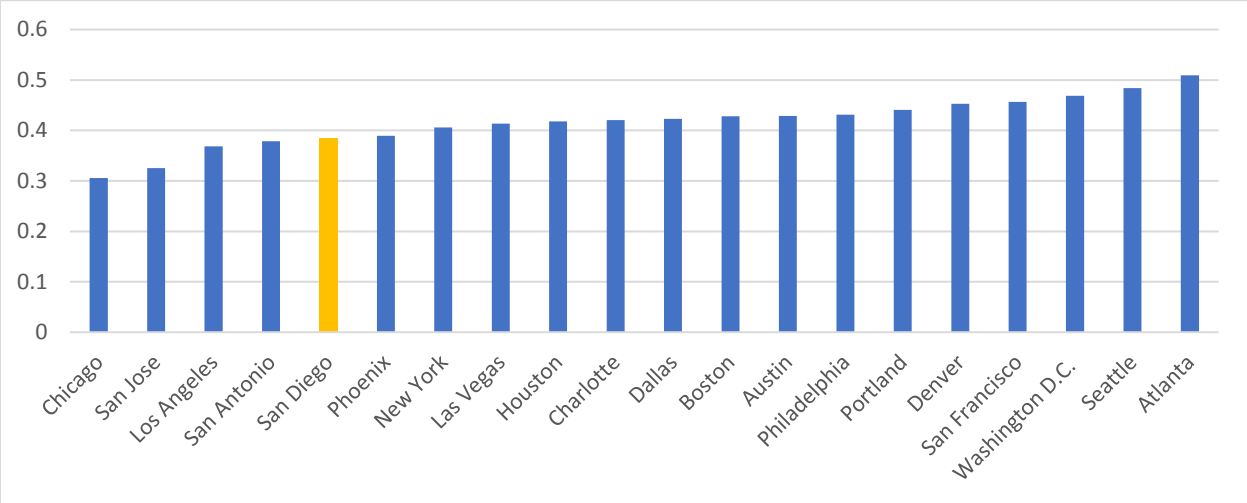
Shortage of housing has many negative impacts on the San Diego region including high housing costs, fewer housing options, and reduced competitiveness to attract economic growth. Table 1.1 displays the 2016 housing supply estimate for single and multi-family housing in the city, totaling 527,049 units.

Table 1.1 City of San Diego Total Housing Supply		
Single Family	286,205	54%
Multi-Family	240,844	46%
Total	527,049	–
Source: U.S. Census Data: 2012-2016 American Community Survey (ACS)		

With a population of over 1.3 million in 2016, the city had 0.38 housing units per person. Cities with a much greater housing density like New York and San Francisco had 0.4 and 0.45 units per person respectively. Cities such as Austin (0.42), Denver (0.45), and Seattle (0.48) all provided many more housing choices per person than San Diego. Figure 1.3 shows the housing units per person for major cities across the country as of 2016.

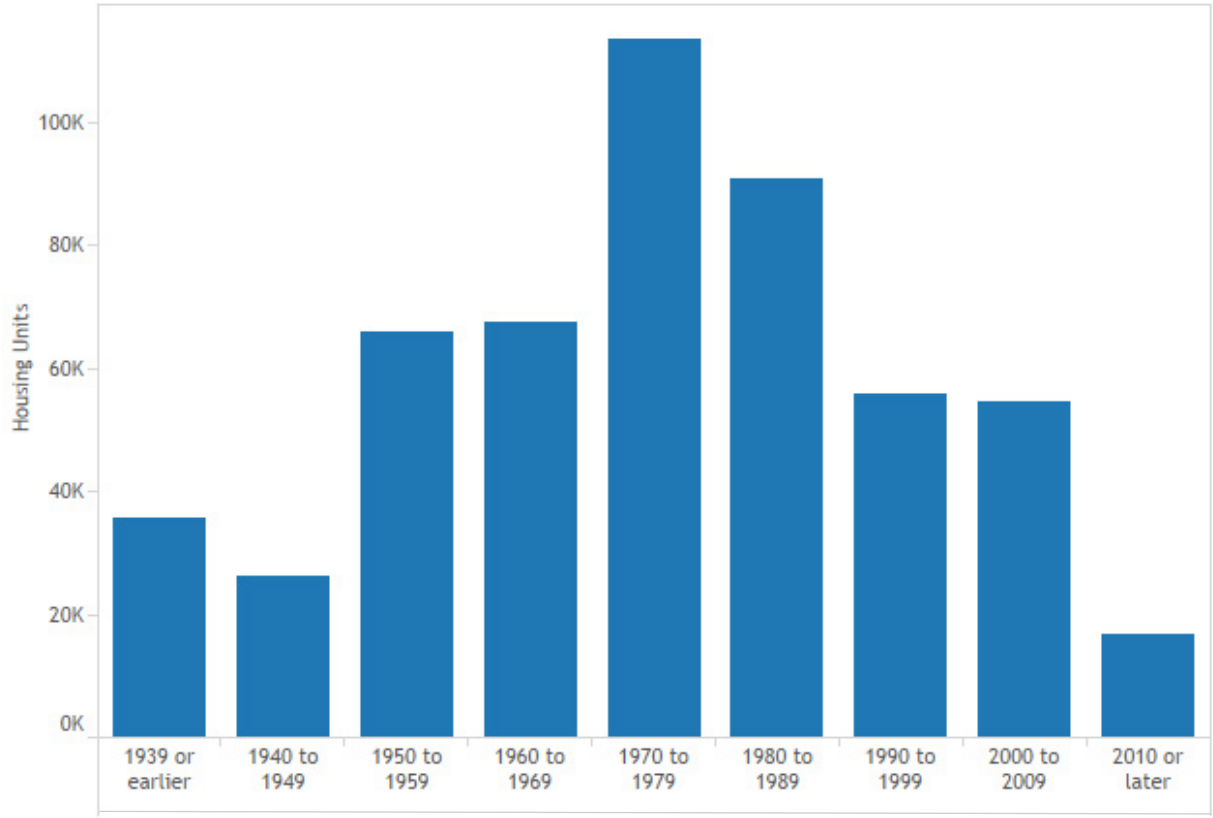
In addition to limited housing choices in terms of supply, the city's housing stock contains a low percentage of newer housing. As shown in Figure 1.4, the great majority of San Diego's housing units were built between 1970 and 1980, with production levels lagging in the decades that followed. Overall housing in San Diego is aging with nearly 75 percent of housing units at over 30 years old.

Figure 1.3 Number of Housing Units Per Person in Major Cities



Source: U.S. Census Bureau, 2010-2016 American Community Survey

Figure 1.4 City of San Diego Existing Housing Units Built per Decade



Source: U.S. Census Bureau, 2010-2016 American Community Survey

Talmadge Gateway, Kensington-Talmadge, 60 affordable senior units

Affordable Housing Supply

As of January 1, 2018, there were a total of 24,797 covenant-restricted affordable housing units (units with deeds containing covenants or restrictions that require those units to be sold or rented at affordable rates for a specified time period) within the City of San Diego.

The San Diego Association of Governments (SANDAG) tracks the total affordable housing units reported by jurisdictions. Table 1.2 shows the significance of the city's contribution to the affordable housing supply at a regional scale through 2016. The city contributed nearly 53 percent of the affordable housing stock even though the city represents only 42 percent of the regional population.

Table 1.2 Existing Affordable Housing Units for the San Diego Region by Jurisdiction as of 2016

	Population	Percent Population of Region	Units	Percent Regional Contribution
Carlsbad	112,930	3%	2,239	5%
Chula Vista	265,070	8%	3,435	8%
Coronado	25,230	< 1%	189	< 1%
Del Mar	4,274	< 1%	0	< 1%
El Cajon	102,337	3%	1,286	3%
Encinitas	61,928	2%	175	< 1%
Escondido	150,760	5%	1,691	4%
Imperial Beach	27,434	< 1%	157	< 1%
La Mesa	59,982	2%	570	1%
Lemon Grove	26,611	< 1%	384	< 1%
National City	60,768	2%	2,432	5%
Oceanside	175,948	5%	1,637	4%
Poway	50,103	2%	864	2%
San Diego	**1,391,676**	**42%**	**24,172**	**53%**
San Marcos	93,295	3%	3,368	7%
Santee	56,757	2%	689	2%
Solana Beach	13,494	< 1%	69	< 1%
Vista	98,896	3%	640	1%
Unincorporated County of San Diego	511,119	16%	1,777	4%
Regional Total	3,288,612	100%	45,774	100%

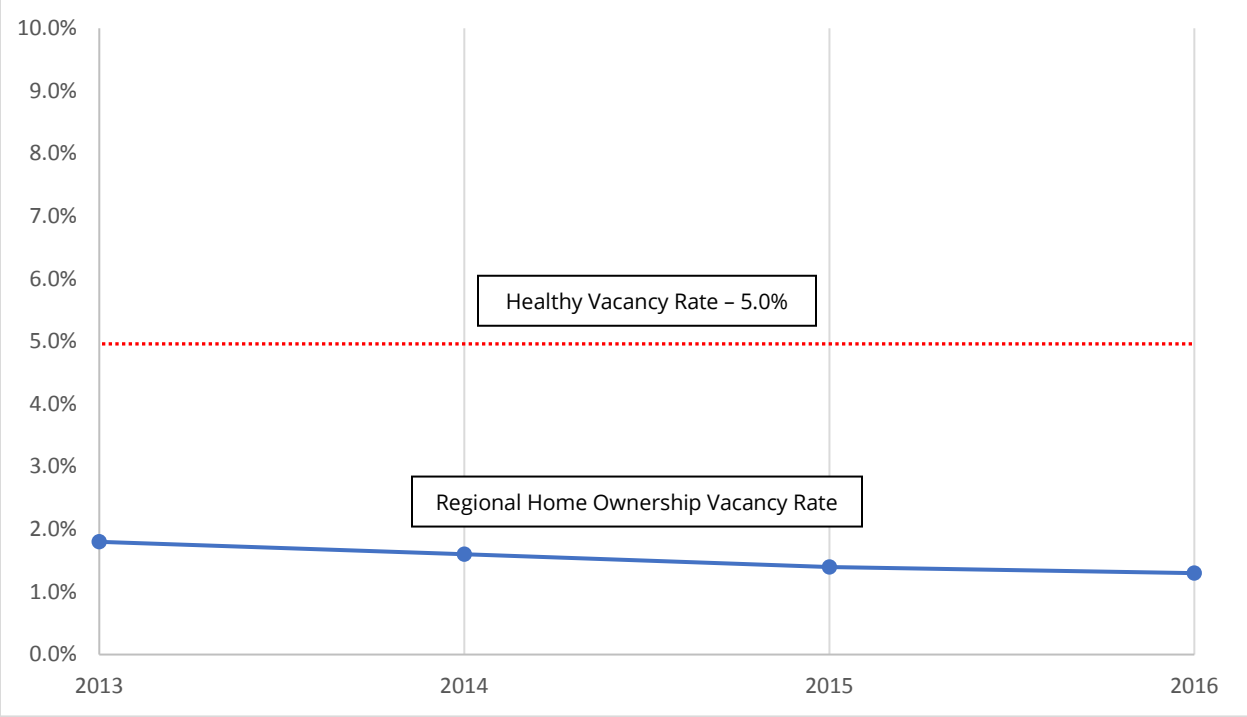
Source: 2017 SANDAG Regional Housing Progress Report

Local Housing Demand and Vacancy

Over the past decade, annual housing growth in the City has averaged approximately 0.5 percent, while the average population growth has averaged 1.2 percent.[3]

In addition to population growth, another measure of housing demand can be understood through vacancy rates. According to the California Department of Housing and Community Development (HCD), a healthy vacancy rate is around 5 percent. Vacancy rates under 5 percent, as well as rates that are declining year over year, can indicate a shortage of supply. Figure 1.5 shows home vacancy rates from 2013 to 2016. The data illustrates a decrease in vacancy of housing units available for ownership from 2013 to 2016. With a vacancy rate in 2016 at 1.3 percent of the ownership-housing supply, this is indicative of a market that is in high demand.

Figure 1.5 Regional Home Ownership Vacancy Rate



Source: U.S. Census Bureau American Community Survey 5-Year Estimates (2012-2016)

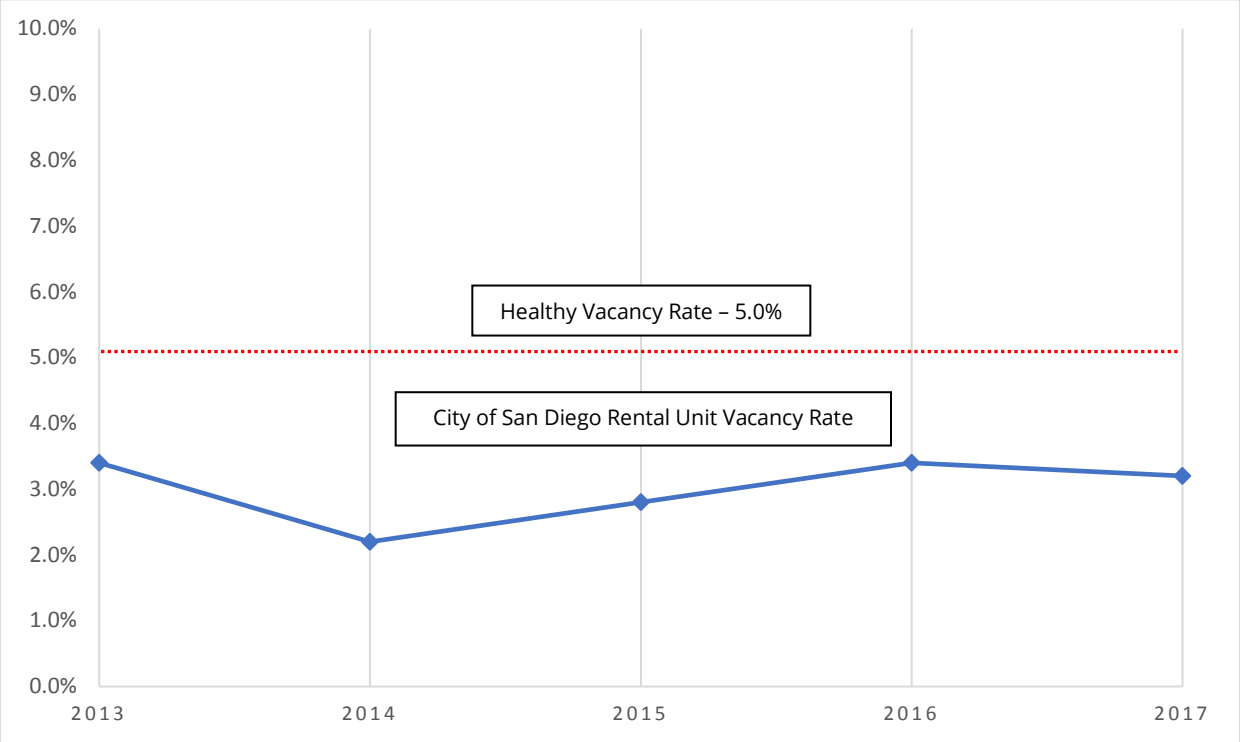
[3] San Diego Housing Commission. "Addressing the Affordability Crisis (2018 – 2028)."

Similar to home ownership vacancy rates, a "natural" vacancy rate around 5 percent indicates a normal rental market as renters on average leave their apartments every two years for new jobs or home ownership.[4] The city's vacancy rates for rental units are also indicative of a shortage of supply. Figure 1.6 shows that the overall vacancy rate for rental units has remained well below the healthy rate of 5 percent since 2013.

With rapid population increases and lower vacancy rates, demand for housing will continue to increase. When housing supply cannot keep pace with demand, vacancy rates continue to decrease and less options are available for housing.

Gateway Apartments, Barrio Logan, 42 affordable units

Figure 1.6 City of San Diego Rental Unit Vacancy Rate



Source: San Diego County Apartment Association's Rental and Vacancy Surveys (Fall 2013 - Fall 2017)

[4] Los Angeles Daily News. Welcome to the crisis: Your frequently asked California housing questions answered. November 16, 2017.

Section 2 – Providing Sufficient, Diverse Housing for All Income Levels

New Construction

Increasing San Diego's housing supply is critical to addressing the current housing crisis. There is an inadequate supply of housing units in all income categories. One way to meet housing demand is through new construction of units targeted at various levels of affordability.

In order to ensure that a range of housing opportunities is provided for a broad spectrum of persons, the General Plan Housing Element is required by State law to address the City of San Diego's regional share of housing needs. This is referred to as the Regional Housing Needs Allocation (RHNA). While the Housing Element has an eight-year cycle from 2013 to 2020, the RHNA cycle covers an eleven-year period from 2010 to 2020. The City's total RHNA share for the 2010-2020 cycle is 88,096 housing units. This goal is further broken down by income group in Table 2.1:

Table 2.1 RHNA Housing

Income Group	Percentage of AMI (Area Median Income)	RHNA Share
Extremely Low-Income	0 – 30% of AMI	10,988
Very Low-Income	31-50% of AMI	10,989
Low-Income	51-80% of AMI	16,703
Moderate-Income	81-120% of AMI	15,462
Above-Moderate Income	121% + of AMI	33,954

Source: City of San Diego Housing Element

As demonstrated by Table 2.2, at the end of 2017, housing production in the city for the current RHNA cycle, was approximately 33,000 units, with 54,937 more units needed by 2020.

So far, housing production has only met 38 percent of the housing needs for the RHNA cycle, with less than three years remaining.

Although progress has been made in new housing construction, development has not kept pace with demand, especially in new very low-, low-, and moderate-income housing. Housing production has only met 9 percent of very low-, 14 percent of low-, and most dramatically of all, less than 1 percent of, moderate-income housing needs. Table 2.2 provides a breakdown of the units constructed by year and split by income category. The City determines market rate housing production for each year by building permit issuance data and affordable housing production based on covenant data provided by the Housing Commission.

The Village - Pacific Highlands Ranch, 69 units (11 affordable)

Table 2.2: Actual Housing Production (Units) of New Construction by Income (Compared to RHNA)					
Year	**Very Low**	**Low**	**Moderate**	**Above Moderate**	**Total**
2010	258	175	29	1,239	**1,701**
2011	221	127	0	2,173	**2,521**
2012	197	287	0	3,400	**3,884**
2013	412	628	0	4,269	**5,309**
2014	229	184	4	1,991	**2,408**
2015	265	446	0	4,221	**4,932**
2016	103	253	0	7,028	**7,384**
2017	324	301	0	4,395	**5,020**
Total Units	2,009	2,401	33	28,716	**33,159**
RHNA Allocation	21,977	16,703	15,462	33,954	**88,096**
Percent of RHNA Achieved	9%	14%	0.2%	85%	**38%**
Total Remaining RHNA	19,968	14,302	15,429	5,238	**54,937**
Source: City of San Diego Building Permit Data and Housing Commission Data (2010-2017)					

Demolition

Table 2.3 below shows the total number of units demolished based on demolition permits issued by the City over a five-year period. When compared to Table 2.2, there were 387 units demolished and 25,040 new units produced between 2013 and 2017. This indicates that the number of units lost is significantly lower than the number of new units being produced.

Table 2.3: Total Number of Housing Units Demolished (2013 – 2017)					
2013	**2014**	**2015**	**2016**	**2017**	**Total**
39	58	57	165	59	387
Source: Development Services Department 2018					

Permitting and Entitlements

Prior to obtaining building permits, certain development projects are required to obtain land entitlements through a discretionary process, per the Municipal Code. The approval for land entitlements may be obtained several years in advance of the approval of building permits and unit construction. Entitlement activity can be an indicator—but not a guarantee—of pending or future production of housing.

As seen in Table 2.4, between 2013 and 2017, the total number of housing units entitled through a discretionary process were 19,974. Additionally, over the years, it can be observed that entitlements have been growing every year beginning with 3,132 entitled units in 2013 to 5,865 units entitled for 2017.

Table 2.4: Entitlement Activity/Discretionary Permit Approval by Unit 2013-2017

Year	2013	2014	2015	2016	2017	Total
Units	3,132	2,115	4,403	4,459	5,865	19,974

Source: Hearing Officer Approvals, Planning Commission Approvals, City Council Approvals, and Civic San Diego Downtown Development Status Logs 2013-2017

Although the trending growth in entitlements shows a healthy pipeline for future development, the entitlement process itself can impede timely housing production, since it is an extensive process that does not ensure immediate development of units. Entitlements grant the development permit holder a period of 36 months to initiate development. Further, there is opportunity to extend the life of a permit one or more times for a maximum 72 months beyond the initial entitlement approval date, which is six years.

One way the City is looking to streamline the entitlement process is via updates to the Municipal Code and to community plans. Through these updates, the City is actively reducing discretionary process requirements by supporting more ministerial development via Municipal Code updates and other ordinance amendments such as streamlined environmental review (See Streamlined Environmental Review in Section 5). For more information on the contributions to capacity of community plan updates, see Section 5.

Data Tracking

In a typical year, the City issues 46,000 permits, processes 4,000 code enforcement cases, conducts 97,000 project reviews, and handles 137,000 construction inspections.[5] Beginning in 2001, these permits, cases, reviews, and inspections were managed internally via the Project Tracking System (PTS). The Housing Element includes policy language to implement a new program to better track housing data.

In 2017, Accela was launched as the program to replace PTS and manage the City's land use permitting. The City is now working toward fully utilizing its capabilities to successfully produce this and future annual housing inventory reports to compile information such as existing housing supply for both market rate and affordable units, number of units approved by the City, as well as vacancy rate and other metrics to help the City have a better understanding of San Diego's housing situation.

Further, in the next annual housing inventory report, the City will utilize the capabilities of Accela to collect data further required to be reported on by Assembly Bill (AB) 879, State Bill (SB) 35, and SB 540. It is anticipated that the data will include, but not be limited to:

- Housing development applications received in the prior year
- Units included in all development applications in the prior year
- Units approved and disapproved in the prior year
- Units approved within a workforce housing opportunity zone

Atmosphere, Downtown, 205 affordable units

[5]Accela. City of San Diego Selects Accela Civic Platform for $11M Civic Tech Initiative. December 17, 2015.

Rehabilitation and Preservation

In addition to the construction of new housing units as a way to address housing affordability, the San Diego Housing Commission works to maintain affordable housing options through the rehabilitation and preservation of existing affordable housing units. The Housing Commission defines rehabilitation as units that are to be substantially renovated with committed assistance that results in a net increase in the community's supply of affordable housing for low- and very low-income households. Rehabilitation creates an avenue that is less expensive than new development for creating and maintaining high quality, affordable housing. Rehabilitation, therefore is an important strategy to meet housing needs.

All affordable housing throughout the city that is a result of either San Diego's Inclusionary Housing law, Density Bonus land-use regulations, state and federal tax credits, or housing built with financial support from the Housing Commission is restricted as affordable to moderate-, low-, and very low-income residents through affordability agreements that generally apply for 55 years. Because of the limited nature of the affordability agreements, it is important to actively seek to preserve affordable housing units that are at risk of reaching the end of the term of their corresponding agreement.

Preservation is defined by the Housing Commission as units that will be maintained at an affordable housing cost to persons or families of low- to very low-incomes with committed assistance through acquisition of the unit or the purchase of affordability covenants for the unit. Table 2.5 shows that a total of 2,069 deed-restricted affordable housing units have been rehabilitated and preserved between 2013 and 2017.

Table 2.5 Actual Deed-Restricted Rehabilitated and Preserved Affordable Housing Units (2013-2017)

Year	Extremely Low/Very Low	Low	Total by Year
2013	153	11	164
2014	130	303	433
2015	73	69	142
2016	24	270	294
2017	456	580	1,036
Total	**836**	**1,233**	**2,069**

Source: Housing Element Annual Progress Report 2013-2017

Section 3 – Incentives to Promote Housing Production (2013 - 2016)

Ordinance Amendments

To increase housing supply, San Diego needs to promote and incentivize production, especially in extremely low- and low-income housing categories. Table 3.1 lists Municipal Code amendments the City adopted to promote housing development from 2013 to 2016 (prior to the implementation of the Housing SD Plan, as further discussed in Section 5).

Table 3.1 Adopted Ordinances from 2013 to 2016 (Prior to Implementation of the Housing SD Plan)	
Housing Impact Fees (Linkage Fees)	On November 10, 2014, the City adopted amendments to the Housing Impact Fee Ordinance to create additional affordable housing. The Housing Impact Fee is assessed on commercial development to finance affordable housing for low-income workers. The amendments will phase in an increase of fees collected over a three-year period, which began in 2015, in order to get fees back to 1990 levels (before the fees were cut in half in 1996). It is expected that this proposal will generate an additional $3 million over a five-year period for affordable housing above the current fee collected.
Accessory Dwelling Units (ADUs) **(Also known as Companion Units, Granny Flats, and Junior Units)**	Accessory dwelling units are housing units that are secondary to the primary living space and provide complete living facilities with kitchens. See Table 5.1 for the ordinance updates regarding ADUs.
Utilization of a Development Permit (Extension of time)	Effective May 5, 2015 via Ordinance 20481, the City revised SDMC 126.0108, 126.0109, and 126.0111 related to the active status of development permits. The amendments to SDMC 126.0108 and 126.0109 provide greater predictability regarding permit expiration. The changes clarified and expanded eligible activities that must occur prior the permit expiration date so that a permit will not be void, providing additional flexibility to complete housing project construction under approved development permits. Additionally, SDMC 126.0111 allows for the extension of a development permit beyond the original 36 months for a total of 72 months, which

Table 3.1 Adopted Ordinances from 2013 to 2016 (Prior to Implementation of the Housing SD Plan)	
Utilization of a Development Permit (Extension of time) (continued)	could serve to assist developers that were unable to begin housing construction due to the recession.
Ability to Use New Regulations Without Amending a Development Permit	Also, effective May 5, 2015 via Ordinance 20481 was an amendment to SDMC 126.0112 to allow projects to have the benefit of new regulations (adopted after the permit effective date) without a need to amend their development permit when the resulting development is in substantial conformance with the permit.
Shared Parking	Effective May 5, 2016 via Ordinance 20634, the City revised SDMC 142.0545, Shared Parking Requirements, to reduce the process required for shared parking agreements from a Process 2, Neighborhood Development Permit, for uses not listed in the City's parking demand tables, to Process 1 in all zones (except single unit residential zones). This change in policy assists with multi-family affordable housing development because it makes it easier to meet parking requirements via agreements with neighboring properties and may also potentially allow greater development density if parking is reduced onsite.
Development Impact Fee Deferral	Effective May 6, 2016 via Ordinance 20626, the City revised SDMC 142.0640, Impact Fees for Financing Public Facilities, to outline the process for deferring the payment of Development Impact Fees and streamlining the process for Developer Reimbursement Agreements. This amendment allows the City to issue building permits or construction permits prior to the payment of Development Impact Fees for a maximum of two years or until a final inspection is requested, whichever occurs earlier, to encourage the initiation of development.
Community Plan Implementation Density Incentive (Also known as The Huffman Six Pack Initiative)	Density incentives included in the 10th update to the LDC address potential redevelopment to facilitate implementation of community plans. Effective May 5, 2016 via Ordinance 20634, the City revised SDMC 143.0455 to create density incentives for redevelopment of six-unit apartment complexes with

Table 3.1 Adopted Ordinances from 2013 to 2016 (Prior to Implementation of the Housing SD Plan)	
Community Plan Implementation Density Incentive (Also known as The Huffman Six Pack Initiative) (continued)	an anterior parking lot. Additional onsite density is allowed with a Planned Development Permit if pedestrian-friendly development consistent with the area land use plan is included. This incentive for redevelopment could provide additional sites for the construction of attractive, integrated affordable housing units.
Affordable Housing Density Bonus (Also see Table 5.1 for 2017 Affordable Housing Regulations)	In June 2015, City Council amended the Affordable Housing Density Bonus Regulations to incorporate Assembly Bill 2222, which increased the term of affordability from 30 to 55 years for low and very low-income households, added low- and very low-income households to the affordable for-sale housing requirement, and required replacement of low- or very low-income dwelling units displaced by proposed development in order to be eligible for a density bonus. In June of 2016, regulations were further revised to incentivize development of affordable housing and to comply with Senate Bill 1818. Additional incentives were recognized as important since between November 2007 and September 2015 only 473 affordable housing units were approved using previous regulations. It was determined that the following five proposals would likely to lead to an increase in affordable housing project construction: 1) Increased Density Bonus – Projects that incorporate specific percentages at various affordability levels would be granted a density bonus (construction of dwelling units in excess of what would otherwise be permitted by the base zone/community plan). Up from a maximum bonus of 35 percent, now developments that incorporate affordable housing have the potential to increase development size by 50 percent. 2) Increased Number of Development Incentives – The number of development incentives (the ability to deviate from a development regulation consistent with findings) increased from a maximum of three to five incentives. The number of incentives is tied to the

Table 3.1 Adopted Ordinances from 2013 to 2016 (Prior to Implementation of the Housing SD Plan)	
Affordable Housing Density Bonus (Also see Table 5.1 for 2017 Affordable Housing Regulations) (continued)	level of affordability of a project as well as the percentage of affordable units. 3) Reduced Permit Process in Planned District Ordinances (PDO) – Nine of the City's PDO's require a Site Development Permit (SDP) in accordance with Process 3 for various developments. The City has reduced this requirement to a Neighborhood Development Permit, a Process 2, which will save money as well as time in the project approval process. 4) Reduced Parking Ratio – Required parking spaces for projects within one-half mile of major transit stops were reduced, which is in compliance with state law. 5) Off-Site Affordable Dwelling Units – Developers can take advantage of the density bonus regulations and locate affordable units on a different site that is within the same community, council district, or within one mile of the applicant's development. In 2017, further incentives were adopted by City Council to promote affordable housing development. See Table 5.1 for the ordinance updates on Affordable Housing Regulations.
Promise Zone Designation	In June 2016, the City was selected to be one of nine national "Promise Zones" by the U.S. Department of Housing and Urban Development (HUD). This designation allows additional access to funds to revitalize the neighborhoods of Barrio Logan, Encanto, and portions of Southeastern. One of the six top goals for this designation is to provide access to top-quality affordable housing. Development within promise zones receive expedited discretionary and ministerial permit processing for all eligible affordable, in-fill housing, and sustainable development permits and building projects.

Section 4 – Utilizing Community Plans to Promote Housing

Community Plan Updates

In addition to incentivizing the construction, preservation, and rehabilitation of housing units, another important step is increasing capacity for new housing units through comprehensive updates to community plans throughout the city.

Since the start of the current Housing Element cycle, the City has adopted eight comprehensive community plan updates and two focused community plan amendments. These updated plans have added capacity for nearly 30,000 additional residential units (Table 4.1).

In addition, the Planning Department is currently working on updates to the Midway, Old Town, Mission Valley, Clairemont, Kearny Mesa, and University Community Plans. It is anticipated that the updates in progress will more than double the housing capacity added since the start of the current Housing Element cycle.

The community plans provide neighborhood-specific recommendations consistent with the General Plan's City of Villages strategy and the CAP. The City of Villages strategy focuses growth into mixed-use activity centers that are pedestrian-friendly districts linked to an improved regional transit system.

There are 49 community plans across the city, many of which have not been updated in over 20 years and therefore contain outdated policies, which frustrates the market's ability to be responsive to the growing demand for quality affordable housing. Key elements of the plan updates address higher residential density and infill development near transit along with housing policies that help to achieve a balanced community as described in the Housing Element. In most cases, land use and rezoning changes provide both mixed-use community and multi-family neighborhood land uses with corresponding zones that allow greater development and intensity near high quality transit.

Table 4.1 Housing Capacity Added through Community Plan Updates and Amendments (2013-2017)

Community Plan	Adoption Year	Additional Housing Capacity (Units)
North Park	2016	2,275
Uptown	2016	0
Golden Hill	2016	45
San Ysidro	2016	1,760
Ocean Beach	2015	102
Southeastern San Diego	2015	3,010
Encanto	2015	7,874
Grantville (Navajo)	2015	8,275
Chollas Triangle (Eastern Area)	2015	75
Otay Mesa	2014	6,374
Total		**29,790**

Source: City of San Diego Planning Department

Streamlining Benefits

In addition to capacity for new units, the updated community plans include measures to ensure their vision can become reality. To streamline the development approval process in many locations, the plans allow ministerial "by-right" development for residential and mixed-use projects that comply with the updated zoning, land use designation, and applicable regulations. Newly adopted community plans have replaced outdated community-specific zones with citywide base zones, resulting in simplified and consistent application of regulations allowing for faster permit processing.

Further, in many instances the new plans provide for an expedited environmental review process. Projects requiring CEQA review may be able to tier-off the Community Plan Update Environmental Impact Report, where projects will simply need to complete a 'compliance checklist'. This will substantially reduce the amount of analysis that needs to be completed by applicants. Each of these streamlining benefits can significantly reduce the amount of time and the costs of the permitting and approval process.

Updating community plans is a top priority identified in the Planning Department's Work Program and recent process improvements will provide for all newly initiated updates to be completed within a three-year timeframe, rather than the traditional six to eight years. The community plan updates are a key component of the Housing SD Plan as it is necessary to ensure that adequate capacity is in place for future housing units, just as it is important that regulatory reform measures are in place to facilitate the construction of those housing units. The following section of this report highlights the measures being implemented as part of the Housing SD Plan.

Hanover Mission Gorge, Grantville, 750 units

Section 5 – Bridging the Gap in Housing Production and Affordability with the Housing SD Plan

Action Steps

In Mayor Faulconer's January 2017 State of the City address he declared that "we need to build more housing!" In response, in June 2017, the Mayor unveiled strategies and initiatives to increase housing production in the city, called the Housing SD Plan. This plan includes a series of regulatory reforms that are intended to address housing affordability, improve review processes, facilitate more affordable housing, and support the Climate Action Plan.

This Plan recognizes that additional streamlining and incentives are needed over the coming years. As evidenced in Table 5.1, the City has begun taking steps toward reforming the development approval process in order to meet its present and future housing needs. By taking bold steps to increase housing production, the City will support the continued growth of San Diego's diversifying economy, including its emerging knowledge-based workforce, and allow all generations of San Diegans the option to live in San Diego.

Highlights of the Housing SD Plan include:

- Improvements to the affordable/ sustainable expedite program
- Accessory dwelling unit production
- Updates to the affordable housing density bonus program
- Updates to the Land Development Code (11th code update and future code updates)
- Streamlined environmental review
- Evaluation of Development Impact Fee (DIF) calculations
- Development of a Parks Master Plan
- Improved parking standards in transit priority areas
- Implementation of SB743 regarding vehicle miles traveled
- Funding for affordable housing projects
- Continued updates to community plans
- Process improvements at the Development Services Department

The Boulevard at North Park, North Park, 165 units (14 affordable)

Table 5.1 Adopted and In Progress Housing SD Initiatives	
Accessory Dwelling Units (ADUs) **(Also known as Companion Units, Granny Flats, and Junior Units)**	Effective September 15, 2017, via Ordinance 20857, SDMC Section 141.0302 was revised. The Companion Unit regulations were modified and a new use, Junior Units (JU), was added. Companion Units (CU) are dwelling units that may be attached or detached, are accessory to the primary residence, and provide independent living facilities with kitchens. Junior Units are attached accessory structures contained within the primary residence that can be up to 500 square feet and may share a bathroom with the primary residence. The regulations were revised to allow CU to be up to 1,200 SF; reduce the parking requirements and allow parking within setbacks; allow the CU to encroach into setbacks; and removed the height limitations. CU and JU cannot be rented to less than 30 consecutive days, increasing the housing availability. Furthermore, on March 20, 2018 via Resolution 311602, City Council allocated $25,000 to the San Diego Housing Federation to create a Companion Unit Toolkit, which will encourage homeowners to build companion units that increase the supply of affordable housing in the city, as well as providing housing options for the elderly and homeless populations. Additionally, as of April 30, 2018, the City Council voted to waive fees associated with CU construction. With the barriers to construction generally being regulations, fees, and ease of permitting, making it easier to build the units is the last step to address. Since the new CU regulations went into effect in October 2017 there have already been 133 applications submitted to the City.
Streamlined Environmental Review	The California Environmental Quality Act (CEQA) Guidelines Section 15183 allows a streamlined environmental review process for public and private development projects that are consistent with the densities established by existing zoning, community plan, or general plan policies for which an Environmental Impact Report (EIR) was certified. The City has eligible certified Program EIRs (PEIRs) for the following recently adopted community plan updates: Encanto, Ocean Beach, Otay Mesa, Golden Hill, San Ysidro, Uptown, North Park, Southeastern, and the Grantville Focused Plan Amendment. To qualify, a project needs to be consistent with the densities in the community plan for which an EIR was certified, contribute no project specific effects which are peculiar to the project/site, contribute no onsite or offsite effects that were not analyzed in the Community Plan Update PEIR, and add no substantial new information that

Table 5.1 Adopted and In Progress Housing SD Initiatives	
Streamlined Environmental Review (continued)	results in more adverse impacts beyond what was described in the Community Plan Update PEIR. CEQA Guidelines Section 15183.5 also allows a streamlined environmental review process for projects that are consistent with the assumptions set forth in the City's CAP. In order to qualify, a project must be consistent with the assumptions set forth in the CAP, as demonstrated through completion of the CAP Consistency Checklist.
Affordable/Infill & Sustainable Expedite	The intention of the Affordable Housing/In-Fill Projects and Sustainable Buildings Development, commonly referred to as the Expedite Program, was created to reduce the time, permitting process and costs for affordable, in-fill and sustainable development. On September 15, 2017, the ordinance was amended to reduce the discretionary review process; allowed more deviations to qualify for the reduced process, required affordable units to be reserved for very low- and low-income families; expanded the eligibility to capture more infill projects; clarified terms and definitions to improve implementation; and established clear citywide policy. The City's development regulations outlined in SDMC 143.0915 allow the aforementioned types of projects to deviate from development standards with a Neighborhood Development Permit, Process 2, previously a Process 4, Planned Development Permit. Deviations to zoning as well as environmentally sensitive lands also qualify for the reduce process. The eligibility has also been expanded to include projects within the Promise Zone, Transit Priority Areas, and areas within the Community Plan Implementation Overlays. It is anticipated that these modifications could significantly expand the use of the program and reduce permit processing times for qualifying projects. A current goal for The Expedite Program is to process eligible permits 50 percent faster, at least 80 percent of the time.
Affordable Housing Regulations	In January 2017, four bills (AB 2501, AB 2556, AB 2442, and AB 2501) went into effect that amended the State's mandatory density bonus program. City regulations were updated to reflect these changes as well as propose additional modifications to further incentivize the use of this program to increase the production of more affordable units. AB 2501 requires that density calculations be rounded to the next whole number, that developers be eligible for density bonus even

Table 5.1 Adopted and In Progress Housing SD Initiatives	
Affordable Housing Regulations (continued)	when it is not requested, that parking reductions do not count as an incentive, that cities adopt procedures and times lines for applications, that definitions of incentives and grounds for denial be clarified, and to allow cities to require reasonable documentation to establish an applicant's eligibility. AB 2442 requires that projects reserving 10 percent of the total units for very-low income transition-age foster youth, disabled, veterans, or persons experiencing homelessness be eligible for a 20 percent density bonus and that bonus calculations be applied to the number of units reserved and not the base density. AB 2556 requires that when former tenant income is not known, required percentage affordability be determined by HUD Comprehensive Housing Affordability Strategy database and that replacement units must be of equivalent size (bedroom count). AB 1934 allows commercial developers to be granted a 20 percent increase in floor area ratio if the developer partners with an affordable housing developer to construct a mixed-use housing project within or within a one-mile radius of the commercial development. Additional incentives that the City has implemented include allowing developers to construct an additional 10 percent density bonus above the maximum if they are not requesting any waiver/incentive; allowing micro-units project to qualify for a 100 percent density bonus; clarifying that density bonuses for senior housing (age restricted) is reserved for very-low, low, and moderate income projects; clarify that density bonus for senior, transition-age foster youth, disabled veterans, and homeless housing is subject to the calculation/sliding scale available under the City's ordinance; and renaming of the regulations to "Affordable Housing Regulations" since applicants are no longer required to request a density bonus to be eligible for incentives/waivers.
11th Code Update	On March 22, 2018, the 11th Update, which included 46 code amendments, was adopted by the Mayor and City Council. The 11th Update includes amendments that help improve the permit processes by simplifying rules and streamlining the review process, including a handful of changes directly impact housing affordability. **Historical Resources** Amendments to the Historical Resources Regulations provide regulatory relief and further incentivize the preservation of

Table 5.1 Adopted and In Progress Housing SD Initiatives	
11th Code Update (continued)	designated historic resources, historic districts, important archaeology sites, and traditional cultural properties. The amendments include exclusion of historically designated gross floor area from parking calculations for all developments; exclusion of historically designated gross floor area from the FAR calculation for non-single-family development; allow deviations from one of the base zone development regulations (excluding density and floor area ratio) for single-family development through a construction permit; allow deviations from two or more base zone development regulations for single-family development through a Process 2 Neighborhood Development Permits (NDP); and allowed deviations from one or more base zone development regulations for non-single family development through a Process 2 NDP. **Lot Consolidation** Multiple unit residential zones that exceed a specific threshold of proposed dwelling units on lots that are being consolidated previously required a Site Development Permit, Process 3 (Hearing Officer) decision. The amendment eliminated the discretionary permit requirement and is now allowed ministerially. This change reduces development costs and encourages more residential development. **Paleontological Mitigation** During the discretionary review process, when grading and/or excavation for a development project exceeds the thresholds established in the City's Significance Thresholds (2016), the impact is considered significant and mitigation is required. The amendment now includes grading requirements for paleontological resources, allowing for regulatory compliance to impacts that would be considered less than significant under CEQA, streamlining the development review process and reducing fees. **Live/Work Quarters** Live/Work is a use category that allows integrated living space in the work place within buildings originally designed for industrial or commercial occupancy. Live/Work has been expanded to be allowed in additional commercial zones, providing additional living opportunities and housing alternatives within existing buildings.
New Mixed-Use Zoning Packages	It has been recognized that new mixed-use zones are needed in the city to encourage development that mixes housing with employment uses in both horizontal and vertical formats. Currently, zoning districts primarily encourage retail on the ground floor and

Table 5.1 Adopted and In Progress Housing SD Initiatives	
New Mixed-Use Zoning Packages (continued)	housing above. These mixed-use zones will assist community plan updates in further diversifying use mixes, creating vibrant pedestrian environments, locating housing in closer proximity to employers, and fostering transit-oriented development. These new zones will look to provide flexible, yet clear, design guidance for developments in difficult contexts such as on large or irregular lots or adjacent to freeways.
Development Impact Fee (DIF) Calculations	For several years, the City has applied Development Impact Fees (DIF) on new development to offset future costs derived from new residents and employees that will require public facilities such as fire stations, libraries, parks, roads, and other public improvements. However, concerns and questions have been raised over the methodology used to calculate the fee. In response, the City will be reviewing the existing methodologies and procedures, survey best impact fee practices, and recommend a preferred methodology for calculation of fees for consideration. Some progress has already been made of fees. On April 30, 2018, the City Council unanimously approved that Companion Units and Junior Units be exempt from the Development Impact Fees (DIF) and Facility Benefit Assessment (FBA) Fees; waived the General Plan Maintenance Fees as well as Water and Sewer Capacity Fees for the remainder of FY18; and directed the City's SANDAG representative to request that Companion Units and Junior Units be added to the existing Region Congestion Transportation Improvement Program (RCTIP) exemption list.
Parks Master Plan Development	The Parks Master Plan is a three-year citywide planning effort to shape our future parks, recreation facilities, and programs for the next 20 to 30 years. The plan will be broached in four phases and it is estimated that the plan will be completed in Fall 2020. The Parks Master Plan will provide the City with a policy document that will identify new definitions for what a park is and expand the use of park equivalencies; address park deficits to create equity in all communities by reevaluating park service levels; guide future acquisition, design, and construction of recreational facilities; address the needs and priorities for future recreation programs; identify funding opportunities for the existing and future park system; and provide a strategy to implement the Parks Master Plan. This plan will serve as a road map for creating a world class parks and recreation system. It will be relevant to changing needs, make

Table 5.1 Adopted and In Progress Housing SD Initiatives	
Parks Master Plan Development (continued)	parks accessible to all community members, and celebrate the unique qualities of San Diego.
Improved Parking Standards in Transit Priority Areas (TPA)	The TPA Parking Standards study is to develop parking requirements that allow for parking reductions within TPA's, thereby providing for better development potential and utilization of developable land to build housing units. This will also help to locate people where there are many transportation options. The effort includes identifying criteria that affects parking propensity within these areas. This includes: • Reviewing relevant studies and parking policies from comparable cities within the United States • Conducting a series of stakeholder interviews with organizations interested and/or affected by changes in parking regulations • Reviewing and analyzing factors that influence vehicle ownership (parking demand) for multifamily developments To date, the City and its consultants have completed the first two tasks and will continue its effort in analyzing the many factors that affect vehicle ownership and mode share. There is also an on-going effort in collecting data at various sites throughout the city. The study is anticipated to be completed by the end of this fiscal year and upon completion of the study, parking requirement changes will be identified to include in the Land Development Code. Improved TPA parking standards are anticipated to go to Council in early 2019.
Implementation of SB743 – Vehicle Miles Traveled	Planning Department staff are working to update the City's California Environmental Quality Act (CEQA) transportation analysis metrics and significance thresholds from level of service (LOS)/vehicle delay-based metrics to vehicle miles traveled (VMT)-based metrics in accordance with Senate Bill 743 (SB 743) adopted in 2013. This change in practice acknowledges how select development projects within infill areas with nearby frequent transit service achieve reductions in per-capita vehicle miles traveled and greenhouse gas emissions. This will better align the City's CEQA transportation analysis with our other policy goals, and facilitate implementation of the General Plan, Climate Action Plan, and Housing SD Initiative.

Conclusion

As discussed in this report, increasing housing production and addressing affordability involves a combination of new programs, policies, and collaboration with outside agencies. Moving forward, the City will continue to develop housing reforms to provide more entry-level housing units, reduce the cost of new development, promote development in transit corridors to achieve Climate Action Plan goals, and promote the production of affordable housing units.