ITEM NO. 1

STAFF REPORT — CITY OF OCEANSIDE

DATE: August 30, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Housing and Neighborhood Services Department

SUBJECT: **AFFORDABLE HOUSING PRODUCTION STRATEGIES**

SYNOPSIS

Staff recommends that the City Council receive a presentation of current and proposed affordable housing production policies and provide staff direction on the proposed recommendations.

RECOMMENDATIONS

Production Strategies	Recommendations
City Code Regulations	
Inclusionary Housing	1. Increase the inclusionary housing set-aside requirement from 10 percent to 15 percent. 2. Concurrently raise the minimum project threshold of applicability from three units to 10 units. Amendments to be pursued in conjunction with the preparation of an updated economic study to ensure that suggested amendments to the City's Inclusionary Housing ordinance do not unduly constrain the production of housing.
Accelerating Production Timeframes	
Development Review Process & Timing	Permit by-right (without discretionary action and subject to ministerial review) housing developments consisting of at least 20 percent of the units reserved as affordable to lower income households. This provision would be expanded to properties beyond those identified in the Housing Element's housing sites inventory.
By-Right Approvals	
Offset for Affordable Housing Development Costs	
Density Bonus, Incentives & Waivers	Review City policies related to density bonuses and incentives to ensure consistency and compatibility with the layering of State Density Bonus Law.

Production Strategies	Recommendations
	Providing Financial Subsidies & Assistance
Land Availability	1. Update and promote the availability of an interactive, web-based map and data for Oceanside's housing sites inventory available on the City's Onward Oceanside website to help identify potential sites for new housing development. 2. Conduct an inventory of all City-owned land to include an analysis of its suitability for affordable housing development and provide a report to the City Council for potential future action. 3. Publish links on the City's website to the State's Public Lands Available for Affordable Housing Development website.
Gap Financing	Issue a Notice of Funding Availability (NOFA) of a minimum of $6 million from the City's available HOME-ARP, PLHA and Inclusionary Housing funds, and 80 Project Based Vouchers, with a maximum of 30 from the City's HUD-Veterans Affairs Supportive Housing (HUD-VASH) program, to address the rental housing needs of extremely low and very low-income households, specifically targeting homeless and at-risk of homelessness veterans and seniors. It is anticipated that the funding made available will be sufficient for one development opportunity. Opportunities to fund future projects could occur as funding dedicated to the production of affordable housing is replenished.

BACKGROUND

The City of Oceanside and the San Diego region are in need of additional housing at all income levels, particularly affordable housing for lower-income households. Throughout California, home building has not kept pace with population growth and demand at nearly all income levels, resulting in housing prices rising faster than incomes. This has created a particular financial strain on lower-income households, increasing competition for each home for sale or for rent, and creating longer waiting lists for subsidized housing programs, such as the Housing Choice Voucher program (formerly known as Section 8 Voucher program). Additionally, the high cost of housing contributes to homelessness and can perpetuate cycles of poverty. The lack of affordability in housing and the consequences for families and the economic growth for the region requires continued efforts by the City and its partners to address housing affordability.

The goal of this City Council workshop is to take a comprehensive look at the City's current affordable housing production policies, such as Inclusionary Housing, project streamlining, developer subsidies, and other available resources to address the housing needs of the community. While the City does not directly produce or control housing, the City's policies, development code, infrastructure investments, programs and available funding sources can influence the housing market. The intended outcome of this workshop is to receive City Council direction on how to best leverage these tools, in light of the City's limited funding and staffing resources, in the most effective way, consistent with the City's recently adopted 2021-2029 Housing Element of the General Plan. It's important to note that this workshop is focused on strategies to increase the production of new affordable housing units. The workshop material does not contain recommendations regarding the preservation of existing affordable units although such strategies may also be important to consider as the City continues to address the issue of affordable housing.

ANALYSIS

RHNA Progress

The Regional Housing Needs Allocation (RHNA) is a state mandated planning process undertaken prior to each Housing Element cycle that quantifies existing and future housing needs within a region and requires local governments to plan for enough new housing to meet its share of the region's need. The preparation of the RHNA Plan for the San Diego region is a responsibility assigned to SANDAG.

The San Diego region is currently in its sixth housing element cycle and through its RHNA, has projected that Oceanside will need to build 5,443 new housing units for the 2021-2029 planning cycle to keep up with projected population growth. These goals are divided by income category, with a goal for very low-income ("VLI"), low-income ("LI"), moderate-income, and market-rate homes. It is expected that 248 new income restricted homes would need to be constructed on an annual basis to meet the City's RHNA for lower-income households (i.e., VLI and LI), with a total of 1,986 housing units needed during the current RHNA eight-year planning cycle.

The year 2022 marked the second year of the current RHNA production period. Oceanside has been able to meet 25 percent of its total RHNA goal thus far, including 7 percent of its lower-income housing goals. For 2022, the City stated in its Housing Element Annual Performance Report that 626 housing units were permitted, with 26 units targeting VLI and LI households. As noted in the table below, permitting achievements by income category vary significantly.

2021-2029 Housing Element Annual Report Table B
RHNA Progress
Permitted Units Issued by Affordability

Income Level	RHNA Allocation	6/30/2020-4/29/21	2021	2022	2023	2024	2025	2026	Total Dwelling Units (Dus)	
Very Low	1,268		26	2					28	2%
Low	718	5	5	24					34	5%
Moderate	883	63	67	127					257	29%
Above Moderate	2,574	155	400	473					1,028	40%
TOTAL	5,443	223	498	626	0	0	0	0	1,347	25%

It is important to recognize that with the changes in State law that became effective January 1, 2020, the City has seen significant growth in the number of residential developments looking to provide affordable housing on-site within their development. There are currently 25 residential projects that include 412 LI units in various stages of the development review process. These projects are expected to be built over the next few years (see Attachment 1). Of these 412 units, 186 (45%) would be for VLI and 226 (55%) for LI households.

Loss of Affordable Housing

An additional challenge for the City relates to the number of existing deed restricted affordable units serving low- and moderate-income households that may be lost within the near future. Such deed restrictions typically have an expiration date when the rent is no longer restricted and therefore, the unit becomes vulnerable to market-rate rent increases. The typical requirement for affordability restrictions is 55 years. Affordable housing is considered "at-risk" when deed restrictions are set to expire in the next five years. As listed in Table 19 of the City's Housing Element, there are an estimated 258 at-risk affordable housing units due to expire by 2028.

State Preservation Notice Law requires owners of subsidized affordable housing with expiring affordability terms to provide specified notices to the State Department of Housing and Community Development (HCD), the local government agency, and existing and prospective tenants beginning one year prior to termination. Prior to or concurrent with the tenant notice, the owner also must provide notice to "qualified entities" of the opportunity to submit an offer to purchase the development. State HCD's website for Preserving Existing Affordable Housing provides details on the specific notices and requirements.

In anticipation of the expiration of affordability covenants, the City will explore direct negotiations with owners of at-risk affordable housing projects to extend the terms of the affordability restrictions, including sharing available financing programs or opportunities to partner with affordable housing developers. In considering the costs of replacing the 258 at-risk units, based on the City's most recent experience of development costs estimated at approximately $400,000 a unit, replacement costs are estimated at $103.2 million. In preserving the affordability of these units, based on an estimated affordability gap of $1,192 a month per unit for a low-income 2-bedroom unit with a market rate rent at $2,769[1], the cost of preserving the affordability is estimated at $319,456 per month for the total 258 at-risk units or $3.8 million each year. If restricting the units for 55 years, the total costs for preserving affordability would be $210.8 million. Therefore, staff would recommend that replacing the housing rather than preserving the affordability would be the most financially prudent action given the cost differential.

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[1] Southern California Rental Housing Association Spring 2023 Vacancy and Rental Rate Survey

Supply-Side (Producer) Approaches

Meeting the housing demand of 5,443 new homes in Oceanside between 2021 and 2029 will require the addition of approximately 680 new homes per year, of which 36 percent should be available to low- and very low-income households to reach the RHNA goals. This level of production would require effective coordination between the public and private sectors to find ways to expand the supply of affordable housing and understand the barriers to getting affordable housing projects approved and built.

As identified in SANDAG's Housing Acceleration Program Strategy, the most common barriers to housing production include:

1. Lack of vacant or developable land
2. Lack of city staff capacity to process new housing applications
3. High cost of infill development
4. Insufficient funding for affordable housing
5. Conflicts between coastal zone regulations and state mandated housing requirements
6. Complicated land development codes
7. Long permitting and approval processes

Production Strategies for Consideration

In recognition of the commonly acknowledged barriers identified above, staff has identified four focus areas for meeting current and future demand to address barriers and develop effective ways of supporting diverse housing production. These areas serve to increase the supply of housing and provide additional predictability and time savings that can facilitate housing production.

City Code Regulations	• Inclusionary housing requirements (Chapter 14C of the Oceanside City Code)
Accelerating Production Timeframes	• Development review process timing • By-right approval process for residential and mixed-use development
Offset for Affordable Housing Development Costs	• Density bonus, incentives and waivers
Providing Financial Subsidies & Assistance	• Land availability (see Housing Element Appendix B: Land Inventory) • Gap financing for affordable housing

Focus Area 1. City Code Regulations

Inclusionary Housing Requirements (Chapter 14C of the Oceanside City Code)

The City originally adopted its Inclusionary Housing Ordinance ("IHO") in 1983 to meet the housing needs of its lower- and moderate-income households. Chapter 14C – Inclusionary Housing of the Oceanside City Code establishes affordable housing obligations for residential projects containing three (3) or more units. The City's IHO requires developers to rent or sell 10 percent of housing units at restricted rents or prices that are affordable to specified income levels, pay an in-lieu fee, or provide another compliance option.

On December 7, 2022, the City Council adopted Ordinance No. 22-OR0848-1 as an update to Chapter 14C and approved various amendments to the City's Inclusionary Housing regulations, including increasing the in-lieu fee from $8.96 per square foot to $20 per square foot to be phased in over a two-year period. Based on the findings of an economic analysis completed by the City's consultant, David Paul Rosen & Associates (DRA) in February 2022, stakeholder input, and the direction provided by the City Council, the IHO policy updates to Chapter 14C focused on the ease of implementing and complying with Chapter 14C for both the City and developers, while being sensitive to current and future real estate market conditions.

As rents have increased and many continue to struggle with the affordability of housing, there are continued discussions related to increasing the required set-aside of the IHO beyond 10 percent for affordable housing. For example, as part of an effort to re-establish a density cap for the Downtown, staff is currently working on a proposed zone text amendment that seeks to incentivize on-site construction of more affordable units. Staff's recommendations are expected to be presented for City Council consideration this Fall.

In considering any amendments to Chapter 14C, the City would be subject to Assembly Bill (AB) 1505, which authorizes the State HCD to review any amendment or adoption of an IHO requiring more than 15 percent of rental housing for lower income households. The purpose of this State review is to ensure that any amendment or adoption of an inclusionary housing policy does not unduly constrain the production of housing given the local housing market, development costs and other policies that may impact project feasibility. An in-depth review of AB 1505, the 2022 DRA economic analysis, and an overview of key components of inclusionary housing is provided in Attachment 2.

> *RECOMMENDATION: Staff recommends increasing the inclusionary set-aside requirement for affordable housing from 10 percent to 15 percent consistent with other nearby North San Diego County jurisdictions (e.g., Carlsbad, Encinitas, and Solana Beach). Staff recommends concurrently raising the minimum project threshold from three units to 10 units; otherwise, the City runs the risk of placing an insurmountable financial burden on smaller residential developments. Based upon the 2022 DRA Study, an increase in the set aside requirement to 15 percent could render rental housing types with structured parking, and some rental housing with podium parking, economically infeasible. These projects, however, may be able to achieve feasibility*

if they are able to take advantage of the regulatory relief offered through the State density bonus program or if the City provides direct economic assistance to close the financial feasibility gap. Given the changes in market conditions (e.g., higher interest rates and higher constructions costs) that have occurred since the 2022 DRA Study was prepared, staff also recommends that an updated economic study be completed to provide evidence that such amendments to the City's ordinance does not unduly constrain the production of housing. Such study could also serve to validate the 10-unit minimum project threshold currently recommended.

Focus Area 2. Accelerating Production Timeframes

Development Review Process Timing and By-Right Ministerial Review

Lengthy approval processes extend development time, tying up developers' capital and resulting in increased costs for project-related soft costs, such as legal fees, escrow fees, insurance payments and property taxes incurred during the development period. The fees associated with obtaining development approvals and building permits further increase costs, driving up the price of the finished product and making affordable homes more difficult to deliver.

Processing times vary by permit type, the size and complexity of the project, and the number of actions or approvals needed to complete the process. Where multiple approvals are required, the City allows for concurrent processing, which generally limits the total processing time to that required by the most time intensive permit or approval.

Some cities use a strategy of expediting timeframes for the processing of projects, such as the City of San Diego's Affordable Housing In-fill Housing and Sustainable Buildings Expedite Program. This program relies heavily on training for completeness check and a mandatory initial review for discretionary projects before submittal and an application deemed complete; however, such expediting efforts can also take a significant amount of staff resources.

Oceanside's processing times for an administrative development plan (ADP) (8-12 weeks) and, where applicable, a conditional use permit (8-16 weeks) are considered reasonable in the industry and do not pose a significant constraint to housing development. Therefore, efforts to further streamline the City's discretionary review process may not prove very beneficial. However, as further discussed below, expanding the opportunity for ministerial (by-right) reviews could help incentivize housing production.

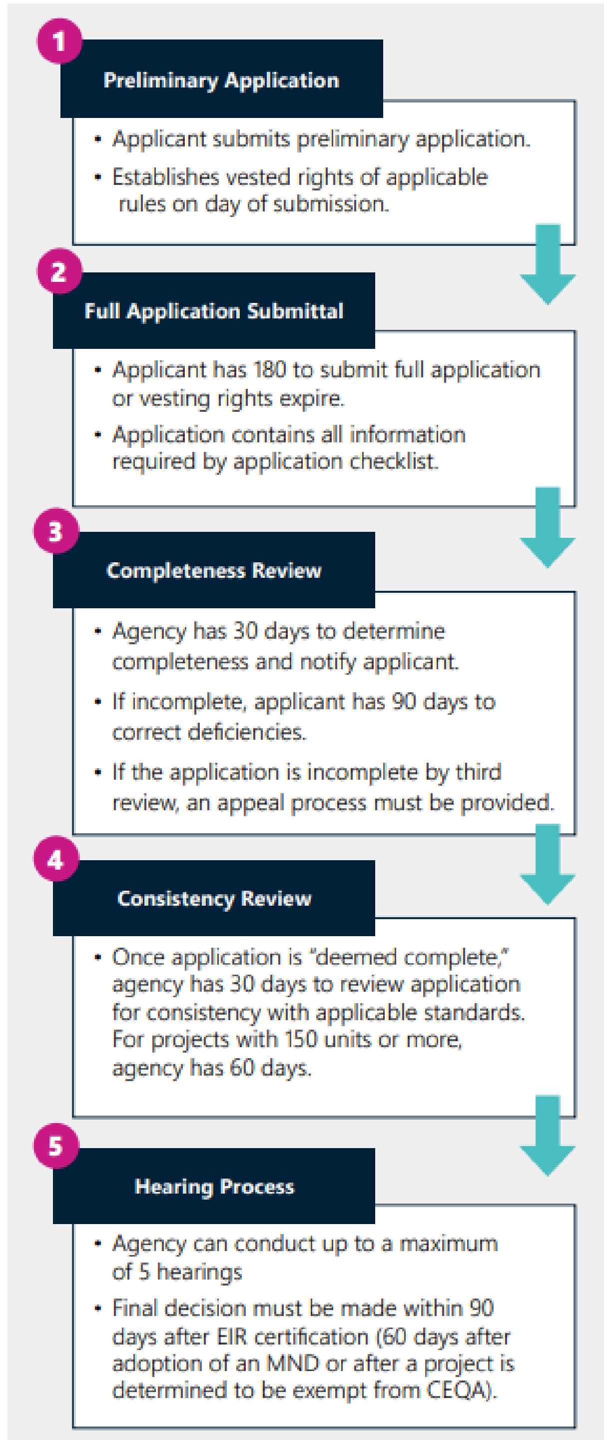
Two City-initiated efforts to streamline the housing approval process are currently underway. The Coast Highway Incentive District, currently under review by the California Coastal Commission, provides an optional zoning regime that streamlines the development review process. As proposed in the pending General Plan Update, the Smart and Sustainable Corridors Plan (SSCP) promotes development of residential units along three major Oceanside corridors through increased density allowance, streamlined entitlement review, and substantial California Environmental Quality Act (CEQA) clearance, which will allow for tiered CEQA review if needed.

Affordable housing projects to be financed with Low Income Housing Tax Credits (LIHTC) and/or Multifamily Housing Revenue Bonds (bonds) are typically provided, as a courtesy, expedited review. For example, an expedited, staff-level review process was recently utilized for Greenbrier Village, a 60-unit, 100 percent affordable development. To be competitive for financing, projects must be ready to proceed and construction on such projects must begin within 180 days of its LIHTC reservation or Bond award. Failure to meet deadlines results in a recission of the financing and negative points assigned to the developer for any future competitive funding for any project statewide.

To address review processes and timing, the State has passed and strengthened numerous laws limiting review and requiring mandatory timelines, that if not met, deems applications approved (SB 330 and SB 8).

By-right zoning and administrative/ ministerial review processes can help address the housing crisis by streamlining development process, creating greater certainty for housing developers, and reducing transaction costs. Various state laws provide for certain projects to receive ministerial review such as supportive housing, emergency shelters and low barrier navigation centers.

SB 330 Summary Timeline of Application Process

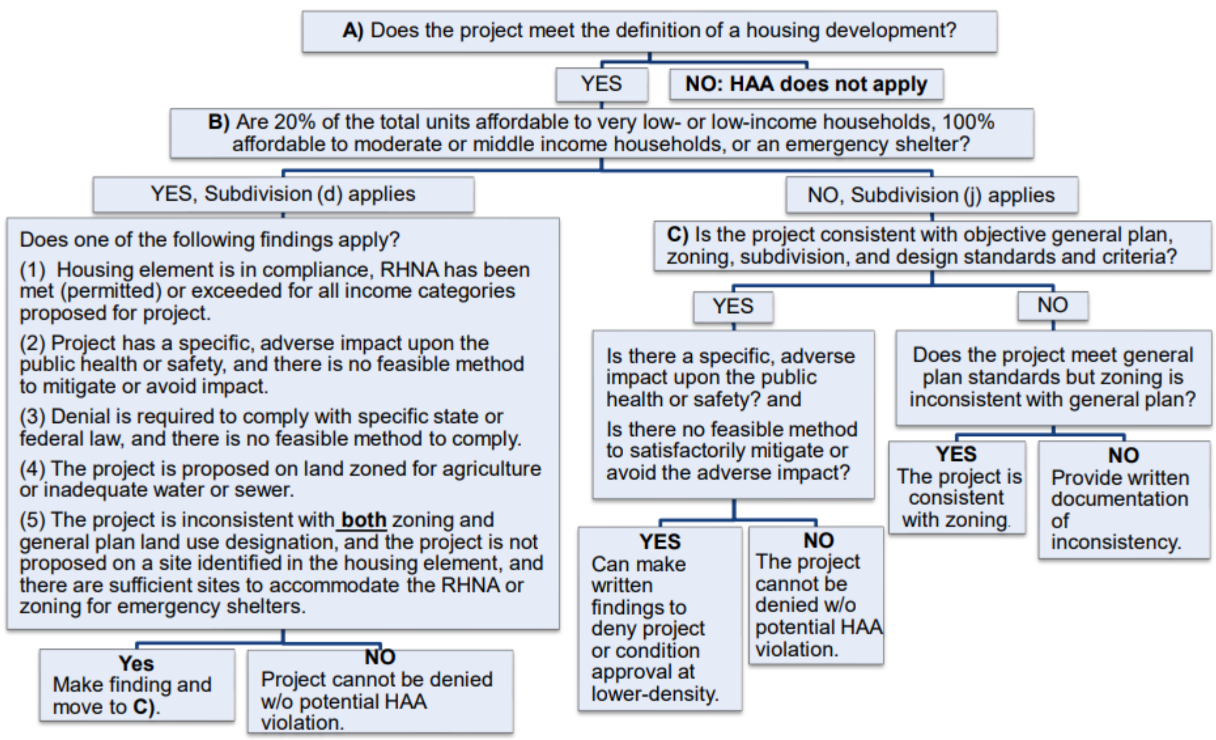


In addition to by-right zoning, the scope of review and decision making under the Housing Accountability Act (HAA), codified under Government Code Section 65589.5, provides a level of certainty for development. Originally enacted in 1982 to address local opposition to growth and change and further amended in in 2017, 2018, 2019 (SB 330-Housing Crisis Act or HCA), and more recently by SB 8 in 2022 to expand and strengthen its provisions. SB 8 extends many of the provisions under SB 330, originally intended to sunset in 2025, through 2034.

The HAA establishes the state's overarching policy that a local government may not deny, reduce the density of, or make infeasible housing development projects, emergency shelters, or farmworker housing that are consistent with objective local development standards. Before taking any of these actions, the City must make specified written findings based upon a preponderance of evidence that a specific, adverse health or safety impact exists (Government Code Section 65589.5 (d) and (j)). For affordable housing developments, such written findings are expanded.

Housing Accountability Act Decision Matrix

This decision tree generally describes the components of the HAA. Both affordable and market-rate developments are protected by components of the HAA. The statute contains detailed requirements that affect the applicability of the HAA to a specific housing project based on its characteristics.



As part of the City's efforts to gain certification of the 6th Cycle Housing Element, the City Council adopted Ordinance No. 23-OR0174-1 in March of this year. The intent of the adopted ordinance was to implement Program 7 of the adopted Housing Element. Program 7 is intended to ensure the City has adequate capacity to accommodate projected growth and the ability to meet the City's allocation of the Regional Housing Needs Assessment. The adopted ordinance essentially "up-zoned" the parcels identified in the Housing Element's sites inventory designated for Low and Very Low-Income categories. As part of the adopted ordinance, provisions were made to allow by-right ministerial review of projects that include at least 20 percent of the units as affordable to lower income households. These same provisions could be extended to other sites not included in the Housing Element sites inventory as a means to incentivize development of affordable housing units.

RECOMMENDATION: Explore the possibility of expanding by-right affordable housing provisions to sites beyond those sites identified in the Housing Element. As part of this evaluation, it's further recommended that staff evaluate whether to limit the number of requested waivers or overall project size in order to ensure such by-right projects are compatible with the surrounding community. As currently envisioned, in order to qualify for by-right status, at least 20 percent of the units of such projects would need to be reserved as affordable to lower income households.

Focus Area 3. Offsets for Affordable Housing Development Costs

Density Bonus, Incentives and Waivers

California's Density Bonus Law (DBL) allows housing developers to obtain more favorable local development requirements in exchange for offering to build or donate land for affordable or senior units. By providing density, incentives and waivers, the costs of building affordable housing, with its limited revenue due to the restricted rents/prices, are offset by the costs savings from waivers and incentives and revenue generated by the additional units allowed through the density bonus. State Density Bonus Law can be found in California Government Code (GC) Sections 65915 – 65918 and provides up to a 50% increase in project densities for most projects, depending on the amount of affordable housing provided, and an 80% increase in density for projects which are completely affordable.

Advantages go beyond the density bonus itself and the law provides a package of unlimited waivers to development standards that would physically preclude a project at the density proposed and a limited number of incentives and/or concessions based on the percentage and income category of units set aside as affordable and are intended to result in identifiable cost reductions to provide for affordable housing costs. A 2022 appellate court ruling, Banker's Hill 150 v. City of San Diego, 74 Cal. App. 5th 755 (2022), upheld the right of density bonus developers to obtain waivers and modifications of local development standards, even when the project could be redesigned to comply with those standards.

The California Legislature has continued to refine DBL, with new legislation taking effect on January 1 of this year that provides additional flexibility to developers meeting the requirements for a density bonus. There is also additional legislation proposed this year. A discussion of State legislation is provided in Attachment 3.
City Planning Policy Efforts:

As previously mentioned, the City's existing and pending strategic planning policies, inclusive of the General Plan Update's Efficient and Compatible Land Use Element

(ECLU), Coast Highway Incentive District, and SSCP, provide for flexibility and density increases.

The ECLU, an update of the City's current Land Use Element, will include goals and policies that promote infill and redevelopment within the City's already-urbanized areas, including midrise mixed-use development that creates synergies between residential and non-residential uses and promotes walkability and transit use. The ECLU emphasizes the integration of different land uses that work well together (including housing and neighborhood-serving commercial uses). This shift in land use policy is intended to encourage more housing development in the City's commercial areas.

The SSCP will help to implement the goals and policies of the ECLU by establishing new zoning standards for non-residential properties within inland segments of Mission Avenue, Oceanside Boulevard, and Vista Way. These new zoning standards will streamline the development review process and increase density allowances for housing in future mixed-use projects. Under the SSCP, base density allowances will range from 50 to 70 dus per acre, with a maximum density of 90 dus per acre in nodal areas (e.g., gateways into the City and major intersections). To achieve densities above the base allowance, projects will need to provide public benefits, which could include active transportation improvements, semi-public plazas and courtyards, and enhanced landscaping. At this time, there is no plan to increase the affordable housing requirement of projects proposed within the SSCP beyond that ultimately required in the balance of the City.

The Coast Highway Incentive District (previously approved by the City Council and still pending Coastal Commission certification) will provide an optional zoning regime that streamlines the development review process, and, in exchange for specified public benefits, allows for densities up to 63 dus per acre in nodal areas within the Coast Highway corridor. The Incentive District will also provide for standalone residential projects in some segments of the corridor, at densities up to 43 dus per acre. Similar to the SSCP, at this time there is no plan to increase the affordable housing requirement of projects proposed within the Incentive District beyond that ultimately required in the balance of the City.

> *RECOMMENDATION: No changes at this time. As State DBL continues to change and the challenges to provide consistency and compliance with the law, City policies related to density bonuses and incentives should be reviewed in light of the layering of State DBL with such local policies/programs, such as those currently being considered in the Downtown zoning district.*

FOCUS AREA 4. Providing Financial Subsidies & Assistance

***Land Availability** (see Housing Element Appendix B: Land Inventory)*

Government Code Section 65583.2I requires that local jurisdictions determine their realistic capacity for new housing growth by means of a parcel-level analysis of land resources with the potential to accommodate residential uses. The analysis of potential to accommodate new housing growth considered physical and regulatory constraints, including: lot area and configuration, environmental factors (e.g., slope, sensitive habitat, flood risk), allowable density, and other development standards such as parking requirements and building height limits.

The City has little vacant land remaining to accommodate new housing growth. Most of its approximately 43 square miles are either developed or precluded from development due to sensitive habitat, steep slopes, and/or significant flood risk. The City expects to augment its housing stock primarily through infill and redevelopment both within and adjacent to the commercial corridors of the Downtown, Coast Highway, Mission Avenue, Oceanside Boulevard, and Vista Way, where zoning allows for higher-density housing in conjunction with mixed-use development.

The housing sites inventory provided as Appendix B of the City's Housing Element includes both vacant and nonvacant (underutilized) land that has the potential to accommodate additional housing during the current Housing Element cycle. Once the City's Housing Element has been certified, it's recommended that the City take measures to update and proactively publicize the housing opportunity sites that have been identified in the Housing Element in order to ensure that the development community is made aware of the specific parcels identified as future opportunity sites. Drawing attention to these identified priority sites could also serve to discourage developers from proposing projects at locations that the City does not envision for future higher density growth.

> *RECOMMENDATION: Update and promote the availability of an interactive, web-based map and data for Oceanside's housing sites inventory that is currently available on the City's Onward Oceanside website to help publicize potential sites for new housing development.*

Collaboration to Promote Affordable Housing Development

Surplus Lands

Amended by such bills as AB 1486, the Surplus Land Act (SLA) is a statute that local agencies (cities, counties, special districts, and certain other entities) must follow when disposing of surplus land. Local agencies are required to submit notices of availability of surplus land to State HCD for listing on the HCD website, and to notify interested developers and any local public entity in the jurisdiction where the land is located. The SLA requires that the surplus land remain available for 60 days after the Notice of Availability (NOA) is sent to allow for affordable housing developers and local public entities to express interest before the land is made available to the broader public and non-affordable housing developers.

All cities and counties are required to inventory and report surplus and excess local public lands to include in a statewide inventory (AB 1255). This is reported as part of the Housing Element Annual Report (Table G) presented to the City Council and submitted to State HCD by April 1 of each year. Currently, there are no reported surplus public lands within Oceanside.

Affordability covenants are required on all surplus lands when an NOA is issued, as follows:

- At least 25% of the total units developed to be affordable to lower income households when responding to a NOA (Gov. Code, § 54222.5); or
- A 15% affordability covenant when land is sold or leased after no entity responds to the NOA or after price or terms cannot be reached during the 90-day good faith negotiation period. (Gov. Code, § 54233, 54233.5)

Developers interested in purchasing or leasing surplus local land for affordable housing development may notify State HCD of their interest in receiving notices about surplus local public land by completing HCD's Developer Interest - Local Agency Surplus Land survey.

The following are made available on State HCD's website for Public Lands Available for Affordable Housing Development.

- List of developers (XLS) that have notified HCD of their interest in surplus local public lands (Updated: 08/02/2023)
- List of notices received (updated weekly)
- Map of available locally owned surplus lands
- Guide to Exemptions from the Standard Surplus Land Act Process (PDF)

RECOMMENDATION: Conduct an inventory of all City-owned land to determine whether any City-owned sites may be suitable for affordable housing development. This information would be shared with the City Council for discussion and concurrence before any action to declare the land "surplus" is taken. Publish on the City's website with links to the State's Public Lands Available for Affordable Housing Development.

Co-locating Affordable Housing

Combining housing with other public services like libraries, senior services, churches, and transit centers, ideally complementary ones that benefit both residents and the surrounding community, is called "co-location." It is a civic-minded form of mixed-use development that allows a mix of public, private, and nonprofit partners, which can be more complex to plan but may create efficiencies in development costs and provide social, economic, and environmental benefits.

Faith Based Collaborations

Faith congregations are responding to the State's housing crisis by sharing their parking lots with people living in their cars, providing mobile showers for the homeless, and looking to build affordable housing. Several churches are exploring ways to build affordable housing on their own land, referred to as YIGBY, or “Yes in God’s Backyard.” According to UC Berkeley’s Terner Center for Housing Innovation there is approximately 4,600 acres of land owned by places of worship in San Diego County with development opportunities.

Examples of faith-based collaborations in the County include:

- Bethel AME Church and YIGBY, are tackling the affordable housing crisis in San Diego County. The collective is collaborating on a 26-unit development, with 16 units for veterans and nine units for seniors, known as the “Bethel One” project, and another development in Logan Heights.
- Clairemont Lutheran Church is looking to rebuild its Fellowship Center and as part of its second phase, build affordable housing in its parking area.
- Meridian Baptist Church in El Cajon and Amikas partnered to provide six “tiny homes” on vacant church property for homeless women and children.
- Father Joe’s Villages’ Turning the Key initiative has a goal of creating 2,000 affordable housing units. So far, it has created 83 units in South Bay’s Benson Place, 42 units at the Bishop Maher Center, and in 2022 completed the construction of Saint Teresa of Calcutta Villa, a 407-unit affordable housing community in downtown San Diego.

Proposed 2023 State Legislation

Government Code Section 65913.6 allows for a religious institution to eliminate or reduce its religious use parking space by no more than 50 percent for a religious institution affiliated housing development. Senate Bill 4 aims to make it easier for nonprofit colleges and faith organizations to build affordable housing by allowing this housing on land owned by an independent institution of higher education or religious institution to be considered a use by right.

> *RECOMMENDATION: Outreach to Oceanside’s faith-based community and share on opportunities to partner with the affordable housing community for the use and development of their property to provide housing opportunities. Staff’s efforts would be focused on those religious sites that could be developed without negatively impacting the neighborhood fabric.*

Transit Oriented Development

Redevelopment of park and ride locations at transit stations into transit-oriented housing developments provide opportunities to address the housing shortage and meet climate action goals.

With more than 57 acres of developable land, Metropolitan Transit System (MTS) which serves the greater San Diego area, adopted a real estate policy for the development of more housing near bus and trolley stops and setting a goal that 20 percent of homes built on MTS-owned land be affordable to low-income households. MTS has seen success with their policy with nearly 2,000 housing units under construction or in the planning stage.

North County Transit District (NCTD) entered into an agreement with Toll Brothers for the redevelopment of the Oceanside Transit Center. This project is currently in the planning stage and is proposed to provide 15 percent of the housing for low- and moderate-income households, which is above the City's current 10 percent affordable housing requirement. In January 2023, NCTD approved a recommendation to enter into an Exclusive Negotiation Agreement (ENA) with developers to redevelop the Carlsbad Village Transit Station and the Carlsbad Poinsettia Transit Station. City staff has, and will continue to be, engaged in following NCTD's efforts to redevelop its properties along the Sprinter line in Oceanside.

> *RECOMMENDATION: Direct staff to work with NCTD to explore the feasibility of maximizing the affordability standard applicable to any planned Transit Oriented Development sites in Oceanside.*

Affordable Housing and Other Public Uses

Pairing affordable housing with public facilities such as libraries or senior services, has been a newer initiative that provides multiple benefits. Following models already established in New York City, Washington, DC and Chicago, the City of Boston will look to include affordable housing in three of its library branches. Childcare and early learning facilities and schools, outside of university student housing, have increasingly looked at co-locating housing on site.

Locally, in National City, a senior nutrition center is co-located with the recently renovated Kimball and Morgan Towers senior housing development. The development of Oceanside's Navigation Center site is an example of co-locating housing for the unsheltered with other civic uses, as Code Enforcement and OPD staff facilities share the property with the San Diego Rescue Mission.

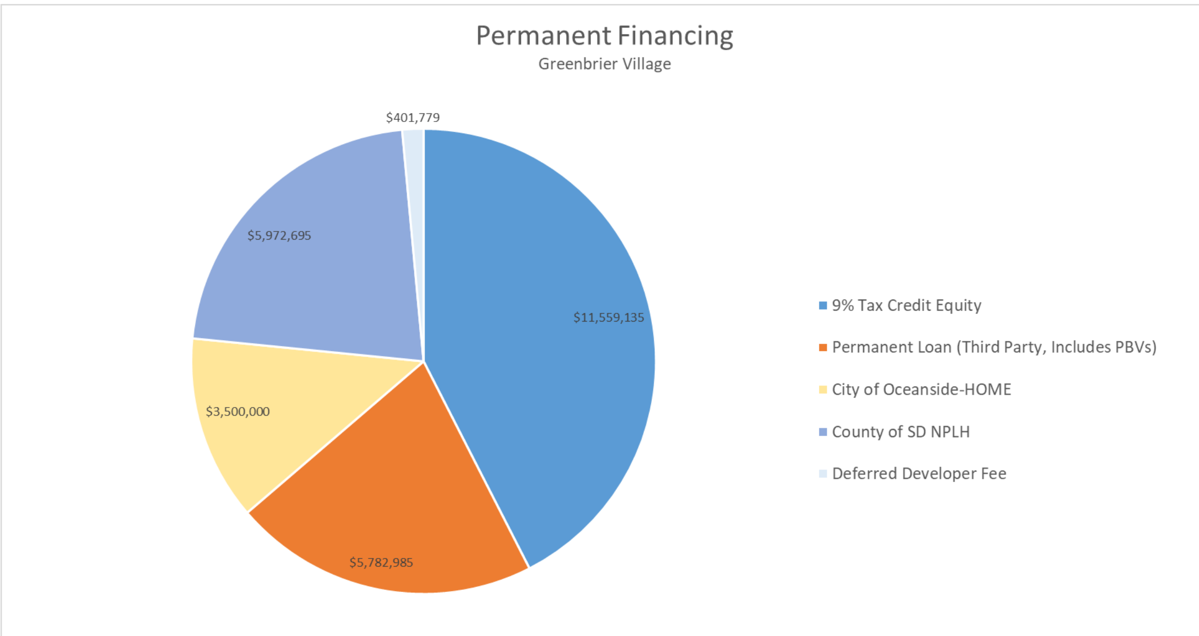
> *RECOMMENDATION: As opportunities arise for the new construction and renovation of civic assets, the City should evaluate the potential for co-locating housing with such civic uses.*

Gap Financing for Affordable Housing

Development of 100 percent affordable housing projects is a private-public partnership in which affordable housing developers will proactively seek out opportunities to partner with market rate developers, private investors, and public funders. A variety of funding sources are "stacked" and layered together to make affordable housing developments financially feasible. The City typically awards funds as soft financing in the form of low, simple interest rate loans that are repaid over time, depending on the cash flow available from the property's revenue, known as "residual receipts" loans. The City's loans fill the gap that remains after an affordable housing developer is able to secure the majority of its financing, typically tax credits, bonds, and other State or County funding.

Local financial subsidies help qualified builders apply for direct grant funding, low-interest loans, or tax credits. Leveraging of public funds is necessary to be competitive in the highly competitive LIHTC and Multifamily Revenue Bond Revenue (tax-exempt bonds) financing programs.

The following chart depicts typical financing of permanent supportive housing for extremely low- and very low-income households. The example used in this scenario is for Greenbrier Village currently under construction, with a lease expected in late 2024. LIHTC comprise about 42% of the financing, with public gap financing comprising 38% of the total permanent financing.



Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments are listed below for comparison purposes.

Financial Performance Indicators	Greenbrier Village Oceanside 2022	Hacienda San Diego 2023	Villa Serena San Marcos 2023	West Oaks Carlsbad 2021
Number of Units	60	52	63	42
Development Cost	$ 27,105,392	$23,735,118	$50,042,736	$ 18,538,265
Development Cost per Unit	$ 451,757	$456,445	$794,329.14	$ 441,387
Acquisition Cost per Unit	$ 22,863	$33,070	$56,258.08	$ 40,000
Building Square Foot Hard Cost	$ 666.44	$159	$513	
Public Subsidy per Unit	$ 157,878	$99,269	$167,423.13	$ 35,714
Master Developer Subsidy per Unit				$ 79,396
Subsidy (Public & Developer) per Unit				*$ 115,110*

As discussed below, the City has limited funding available to solely support the financing of affordable housing developments. Development of 100 percent affordable housing developments financed through LIHTC and/or bond financing provides the City with the greatest leveraging of its limited financial resources. The following table illustrates the cost of subsidizing rents when affordability restrictions are expiring or when assisting a property owner to make a unit affordable and buying down the rents, in comparison to the development of a 100 percent affordable rental project. For the Greenbrier Village development, the City was able to maximize its investment and leverage $8 in private investment and other subsidies to every $1 in City assistance. As a result, the City's share of subsidy totals only $58,333 per unit.

Description	Rent Subsidy @Low Income	Rent Subsidy @ Very Low-Income	Greenbrier Village @ Very Low-Income
Number of Units	60	60	60
Market Rent (2 bdrm)[2]	$ 2,769	$ 2,769	
Affordable Rent (State HCD)	$ 1,577	$ 1,314	
Affordability Gap per month	$ 1,192	$ 1,455	
Development Cost per unit			$ 451,756
TOTAL Development Cost			$ 27,105,392
Oceanside Subsidy per Unit for 55 yrs	$ 786,720	$ 960,300	$ 58,333
TOTAL Subsidy	$ 47,203,200	$ 57,618,000	$ 3,500,000

Leveraging (LIHTC/Bonds/Other Subsidies to City Subsidy) = $ 8 to $1

State Resources

The State's four key housing agencies, the California Tax Credit Allocation Committee (CTAC), the California Debt Limit Allocation Committee (CDLAC), HCD, and CalHFA, provide financing to developers and other housing organizations, for the construction of affordable housing through LIHTCs, tax-exempt bonds, and loans. CTAC and CDLAC provide the majority of state financial resources for affordable multifamily housing projects by awarding tax credits (9% or 4% with bonds) and tax-exempt bond allocations through

[2] Southern California Rental Housing Association Spring 2023 Vacancy and Rental Rate Survey

a competitive application process twice a year. As in previous years, the 9% LIHTCs remained competitive and oversubscribed with 182 applications received in 2021 and 106 proposed projects awarded $191.4 million in nine percent (9%) annual federal LIHTCs. With the competitiveness of both programs, projects are developed keeping in mind the scoring criteria and priorities of both CTAC and CDLAC. Local resources are utilized to fill the financing gap.

Local Resources

The funds available from the City to provide gap financing for affordable housing consists of federal, state, and local dollars with corresponding requirements and regulations that govern their use. The following provides a summary of available sources of funding. A more detailed description of these resources is provided in Attachment 4.

Funding Program	Activities	Target Population	Annual $	Available Balance $
		Federal		
HOME	Construction, acquisition and rehabilitation of rental and for-sale housing Homebuyer Tenant Based Rental Assistance	Lower-Income	$640,000	N/A
HOME-ARP	Reduce homelessness and increase housing stability for at-risk of homeless	Homeless and at-risk of homelessness (Extremely low-income)	One-Time	$2.25 million
Housing Choice Voucher	Tenant based rental assistance 20% for project-based assistance	Very low-income	$23 million	N/A
		State		
Redev Low/Mod Housing	Preserve, improve, and expand housing supply	Low and moderate income 30% for extremely low-income No more than 20% for low-income No more than 50% for seniors	N/A	$2.5 million

Funding Program	Activities	Target Population	Annual $	Available Balance $
Permanent Local Housing Allocation (PHLA) Program	Services and housing to assist persons who are experiencing or at risk of homelessness (PLHA Plan)	Households at or below 60% of area median income	$1,000,000	$2.1 million
		Local		
Inclusionary Housing In-lieu Fees	New construction (Priority) Provide housing opportunities	Lower-Income		$10.7 million

RECOMMENDATION: Based upon the number of extremely low- and very low-income renters, with the majority paying more than 50% of their income towards housing costs, the growing number of extremely low seniors failing into homelessness, and other available resources available to leverage for homeless veterans, staff recommends prioritizing new construction rental housing for at-risk and homeless seniors and veterans to provide greater affordability to these economically vulnerable population groups. Staff recommends issuing a Notice of Funding Availability for a minimum of $6 million from the City's available HOME-ARP, PLHA and Inclusionary Housing funds, and 80 Project Based Vouchers, with a maximum of 30 from the City's HUD-Veterans Affairs Supportive Housing (HUD-VASH) program, to address the rental housing needs of these priority households. It is anticipated that the funding made available will be sufficient for one sizeable development opportunity.

FISCAL IMPACT

For discussion purposes only. An analysis of fiscal impact will be provided as individual recommendations are brought forward for consideration.

COMMISSION OR COMMITTEE REPORT

Not Applicable

RECOMMENDATION

Staff recommends that the City Council receive a presentation of current and proposed affordable housing production policies and provide staff direction on the proposed recommendations.

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SUBMITTED BY:

Jonathan Borrego
City Manager

REVIEWED BY:

Jill Moya, Financial Services Director JM

Darlene Nicandro, Development Services Director DN

ATTACHMENTS:

1. Development Project Pipeline, May 2023
2. Inclusionary Housing
3. State Density Bonus Law
4. Oceanside Housing Resources
5. Oceanside Housing Needs
6. Maximum Income Limits and Affordable Housing Costs

Development Project Pipeline

Attachment 1

HOUSING NEIGHBORHOOD SERVICES

Housing options for all
Building strong families
Strengthening the social and physical fabric of the community

Affordable Housing Developments - PIPELINE

Project Number	Application Date	Project Title	Project Status	Project Type	Project Description	Address	Approval Date	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Total Number of Units	Number of Lower-Income Restricted Units	Very Low (<51% AMI)		Low (51-80-% AMI)	
TOTAL										3137	412	186	45%	226	55%
DB21-00007	11/9/2021	GREENBRIER VILLAGE	UNDER REVIEW	DENSITY BONUS	60 UNIT PERMANENT SUPPORTIVE HOUSING	563 GREENBRIER DR		5+	R	60	59	59	98%		0%
D18-000014 T18-00007 GPA18-00001 ZA18-00008	6/26/2018	RIO ROCKWELL	APPROVED	SURPLUS LANDS	RIO ROCKWELL /104 UNIT RESIDENTIAL PROJECT (SURPLUS LANDS ACT)	MISSION AVE	11/18/2020	SFD	O	104	11		0%	11	11%
DB21-00002	04/07/2021	SEAGAZE; MIXED USE DEVELOPMENT OF GROUND LEVEL COMMERCIAL	APPROVED	DENSITY BONUS	GROUND LEVEL COMMERCIAL & 179 STUDIO APARTMENTS	712 SEAGAZE DR	01/26/2022	5+	R	115	12		0%	12	10%
DB20-00001	12/16/2020	54 ATTACHED CONDOMINIUMS	APPROVED	DENSITY BONUS	54 ATTACHED CONDOMINIUMS	1602 S COAST HWY	12/15/2021	SFA	O	54	5	5	9%		0%
DB17-00001	03/15/2017	GRANDVIEW POINTE	APPROVED	DENSITY BONUS	28 UNIT SINGLE FAMILY	1902 GRANDVIEW ST	10/03/2018	SFD	O	28	2	2	7%		0%
DB21-00001 D21-00001 T21-00001	01/20/2021	CYPRUS POINT	APPROVED	DENSITY BONUS	54 SINGLE FAMILY HOMES	ASPEN ST	06/22/2022	SFD	O	54	8		0%	8	15%
DB21-00004	05/26/2021	WHALEY STREET HOMES	APPROVED	DENSITY BONUS	WHALEY STREET HOMES	1728 WHALEY ST	06/22/2022	SFD	O	8	1	1	13%		0%
DB21-00005	08/13/2021	MODERA MELROSE	APPROVED	DENSITY BONUS	MIXED-USE DENSITY BONUS TO PROVIDE 324 APTS RANGING FROM 1-3	OCEANSIDE BLVD	04/10/2023	5+	R	323	33	33	10%		0%
RC21-00009, DB21-00006, D21-00012	08/19/2021	THE FLATS; MERCANTILE LOFT	APPROVED	DENSITY BONUS	MIXED USE WITH 50% DENSITY BONUS, 20 RES UNITS 2 VERY LOW IN	1931 S COAST HWY	04/25/2022	5+	R	18	2	2	11%		0%
DB22-00001	01/05/2022	24 UNIT MIXED USE PROJECT	UNDER REVIEW	DENSITY BONUS	24 UNIT MIXED USE PROJECT	713 N FREEMAN ST		5+	R	24	2		0%	2	8%
T22-00003, DB22-00003, D22-00004	03/16/2022	LOMA ALTA TERRACES; 13 LOT SUBDIVISION	UNDER REVIEW	DENSITY BONUS	13 LOT SUBDIVISION WITH DENSITY BONUS	LOMA ALTA DR		5+	R	13	1	1	8%		0%
DB22-00004	06/01/2022	OCEAN CREEK MIXED USE	UNDER REVIEW	DENSITY BONUS	MIXED USE	CROUCH ST		5+	R	295	30		0%	30	10%
T22-00004, DB22-00005, D22-00009	06/08/2022	84 LOT SINGLE-FAMILY RESIDENTIAL SUBDIVISION	UNDER REVIEW	DENSITY BONUS	84 LOT SINGLE-FAMILY RESIDENTIAL SUBDIVISION	GUAJOME LAKE RD		5+	R	84	4	4	5%		0%
RC22-00008, DB22-00006, D22-00010	06/29/2022	THE TREMONT; 3 STORY 17 UNIT RES. APTS	UNDER REVIEW	DENSITY BONUS	3 STORY 17 UNIT RES. APTS	1933 S TREMONT ST		2 to 4	R	17	1	1	6%		0%
RP22-00001, RD22-00002, RCUP22-00001, DB22-00007	08/01/2022	MIXED USE PROJECT: 64 UNITS AND 2,50(	UNDER REVIEW	DENSITY BONUS	MIXED USE PROJECT: 64 UNITS AND 2,500 SF COMMERCIAL SPACE	901 PIER VIEW WAY		5+	R	64	7		0%	7	11%

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HOUSING NEIGHBORHOOD SERVICES

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Project Number	Application Date	Project Title	Project Status	Project Type	Project Description	Address	Approval Date	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Total Number of Units	Number of Lower-Income Restricted Units	Very Low (<51% AMI)		Low (51-80-% AMI)	
TOTAL										3137	412	186	45%	226	55%
ADM22-00061	08/15/2022	PRELIMINARY APP FOR MIXED USE RES & HOTEL	UNDER REVIEW		MIXED USE RES & HOTEL	901 MISSION AVE		5+	R	298	33	33	11%		0%
RT22-00001, RD22-00004, RCUP22-00002, DB22-00008	08/24/2022	SB330 NEW 7 STORY 321K SQF MIXED-USE 206 MF UNITS + PARKING	UNDER REVIEW	DENSITY BONUS	SB330 NEW 7 STORY 321K SQF MIXED-USE 206 MF UNITS + PARKING	810 MISSION AVE		5+	R	206	21		0%	21	10%
ADM22-00064 DB23-00002	08/31/2022	SOUTH RIVER VILLAGE	UNDER REVIEW		VANDERGRIFT PERM SUPP HOUSING 43 APTS; SB 2162			5+	R	43	42	11		31	72%
RZA22-00001, LCPA22-00004, GPA22-00002	10/05/2022	OCEANSIDE TRANSIT CENTER	UNDER REVIEW			TREMONT ST		5+	R	547	55		0%	55	10%
T22-00007, DB22-00009, D22-00018	10/31/2022	SB330 1448 AVOCADO RD-19 RES. LOTS 3.43 ACRES	UNDER REVIEW	DENSITY BONUS	SB330 1448 AVOCADO RD-19 RES. LOTS 3.43 ACRES	1448 AVOCADO RD		5+	R	19	1	1	5%		0%
DB22-00002	12/08/2022	BREEZE APTS	UNDER REVIEW	DENSITY BONUS	144-UNIT APARTMENT COMPLEX	NEVADA ST	12/07/2022	5+	R	146	15	15	10%		0%
RRP22-00004, RD22-00005, RCUP22-00003, DB22-00010	12/13/2022	MODERA NEPTUNE	UNDER REVIEW	DENSITY BONUS	MIXED USE DB DOWNTOWN W/ 62 HOTEL & 360 APTS	815 N COAST HWY		5+	R	360	36		0%	36	10%
RD22-00006 DB23-00001	12/14/2022	MIXED USE DB DOWNTOWN W/ 180 APTS & 5K SF COMMERCIAL	UNDER REVIEW	DENSITY BONUS	MIXED USE DB DOWNTOWN W/ 180 APTS & 5K SF COMMERCIAL	HORNE ST		5+	R	180	18	18	10%		0%
D23-00005 DB23-00003	04/18/2023	SEARFARER HOMES	UNDER REVIEW	DENSITY BONUS	NEW SF HOME DEV. USING DB -7 HOMES EA. 4 BR & 2 CAR GARAGES	1720 CALIFORNIA ST		SFD	O		0	0		0	
D23-00009 DB23-00004	05/24/2023	VISTA BELLA	UNDER REVIEW	DENSITY BONUS	SB 330 DEMO EXISTING & BUILD NEW 6-STORY; 77-UNIT MIXED USE	503 VISTA BELLA		5+	R	77	13			13	17%

TOTAL Projects	25
SFD	5
SFA	1
2 - 4	1
5+	18
Rental	19
Owner	6

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Inclusionary Housing Requirements (Chapter 14C of the Oceanside City Code)

The City of Oceanside originally adopted its Inclusionary Housing Ordinance ("IHO") in 1983 in an effort to meet the housing needs of its lower and moderate-income households. Chapter 14C-Inclusionary Housing of the Oceanside City Code establishes affordable housing obligations for residential projects of three (3) or more units. The City's IHO requires developers to rent or sell 10 percent of housing units at restricted rents or prices that are affordable to specified income levels, pay an in-lieu fee, or provide another compliance option.

In 2020, the City Council provided staff direction to complete a review and analysis of Chapter 14C-Inclusionary Housing to facilitate and encourage more developers to construct on or off-site reserved units, rather than simply defaulting to payment of the affordable housing in-lieu fee. On December 7, 2022, the City Council adopted Ordinance. No. 22-OR0848-1 as an update to Chapter 14C and approved various amendments to the City's Inclusionary Housing regulations, including increasing the in-lieu fee from $8.96 per square foot to $20 per square foot to be phased in over a two-year period. Based on the findings of an economic analysis completed by the City's consultant, David Paul Rosen & Associates (DRA) in February 2022, stakeholder input, and the direction provided by the City Council, the IHO policy updates to Chapter 14C focused on the ease of implementing and complying with Chapter 14C for both the City and developers, while being sensitive to current and future real estate market conditions.

AB 1505, codified as Government Code § 65850 and 65850.01 effective January 2018, reaffirmed the authority of local governments to include rental projects subject to inclusionary housing requirements. The legislation required that such inclusionary housing ordinances should not unduly constrain the production of housing and provide for alternative means of compliance that may include in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units. By offering a variety of alternative methods of compliance and allowing greater flexibility in standards as set forth in the 2022 amendments to the IHO, Oceanside has addressed the State's concern that inclusionary housing policies not serve as a form of governmental constraint to the production of housing.

Under certain scenarios, the state considers IHOs a potential barrier to the production of housing. AB 1505, authorizes the State Housing and Community Development Department (HCD) to review any amendment or adoption of an IHO requiring more than 15 percent of rental housing for lower income households and meeting certain conditions. Based on the provisions of AB 1505, State HCD would have the authority to review any amendment to Oceanside's IHO. Per the terms of AB 1505 HCD may request, and "the county or city shall provide, evidence that the ordinance does not unduly constrain the production of housing by submitting an economic feasibility study."

The economic analysis prepared in February 2022 by DRA compared the financial performance of seven various prototypes utilizing the current 10 percent requirement and alternatively a 15 percent requirement for both rentals and ownership. A residual land value analysis (RLV) was prepared for seven prototypes. This analysis provides the technical means for assessing project development economics and exploring how different assumptions and input factors influence development feasibility. The RLV methodology calculates the value of a development based on its income potential and subtracts the costs of development (excluding land but including an assumed return to the developer/investors), to yield the underlying value of the land.

If the RLV is negative, that indicates that capitalized values are not sufficient to cover the other development costs besides land, and new development will be halted until market conditions change. If the estimated RLV is consistent with the market value of the land, the project is feasible. Additionally, when looking at alternative scenarios that yield a RLV loss that is less than the 30 percent reduction in RLV feasibility standard, such scenarios are potentially feasible. Therefore, very low, negative, or significantly reduced RLVs suggest that development of certain project types would not occur under current conditions without development incentives, such as density bonuses and parking reductions.

In DRA's 2022 analysis of an alternative 15 percent inclusionary housing requirement, rental apartments with structured parking are at a negative RLV, with the RLV decreasing significantly for apartments with podium parking and then surface parking, a 37 to 26 percent reduction, respectively. Therefore, for these product types, an increase in the set-aside requirement could impact financial feasibility, unless additional incentives or cost offsets are made available. The "for-sale" prototypes generate land values that are within the estimated/anticipated range of market land prices and concluded that increasing the percentage of affordable units to 15 percent results in a decrease in residual land value by approximately 12 to 24 percent, within the -30 percent feasibility standard. Therefore, under certain circumstances, increasing the City's inclusionary housing requirement from 10% to 15% could render some projects economically infeasible.

It should be noted that DRA's 2022 analysis utilized market conditions present in 2021, Since such time, such factors have changed and may have an impact on project feasibility. Like many industries, construction is affected by inflation, supply chain issues, labor shortages, rising interest rates and therefore, elevated construction costs. Consequently, these same factors have caused rises in property, worker's compensation, and liability insurance, as evidenced by the withdrawal of Allstate and State Farm from the California business and personal property and casualty insurance market.

Impact fees are assessed to new construction projects to assist in the construction of new schools and parks, and to help fund infrastructure improvements and are based on the actual cost of providing these essential services. In Oceanside, impact fees are assessed for parkland dedication, drainage, public facilities (various), traffic signals, thoroughfares, water systems, and wastewater systems. Fees to other agencies include school facilities mitigation fees, San Diego County Water Authority (SDCWA) capacity fees and water treatment capacity charges. Fees for single-family home development in Oceanside are generally at the high end in San Diego County, due to locational (Coastal) and topological constraints. Impact fees in 2020 were over $68,000 for a single-family home and ranging from $17,200 to $25,200 for multi-family development. Increases to the parkland dedication fee and water capacity fees are to be considered within the year.

Based upon the DRA analysis and increasing costs for the construction industry, increasing the set-aside requirement for affordable housing beyond 10 percent could prove to impact project feasibility, particularly for those development types noted in the DRA analysis (e.g., rental apartments with structured or podium parking).

Should the City consider increasing the set-aside requirement above 10 percent, it should be anticipated that additional incentives and cost offsets would need to be made available such as those offered through State Density Bonus law or providing even greater incentives. Given the typical construction type seen in the downtown area (e.g., rental apartments with structured parking, which generates a negative RLV), project feasibility may be of concern if the required set-aside is increased above 10 percent. Additionally, smaller developments, do not have the economies of scale to absorb increased costs. Therefore, should the City increase the set-aside requirement, staff would recommend raising the threshold requirement for applicability from 3 dus to 10 dus.

Inclusionary Housing within San Diego County

Currently, 11 of the 18 jurisdictions within the region have mandatory inclusionary housing programs in place. Seven of the nine North County jurisdictions have adopted Inclusionary Housing policies, exceptions are Vista and Escondido. The City of Encinitas updated its ordinance in 2021, with the cities of Carlsbad and San Marcos updating in 2022. Currently, the County of San Diego and City of Vista are in the process of developing such policies. 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.

Minimum threshold for ordinance applicability:

The minimum threshold for inclusionary housing program applicability is an important consideration. Oceanside's minimum threshold is set at three units. Most inclusionary housing programs provide an exemption for projects below a specified unit threshold. Minimum thresholds range between one 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 one or two units, for which compliance is enabled through an in-lieu fee. Should the City Council elect to increase the set-aside requirement from 10% to 15% staff would recommend concurrently raising the minimum project threshold from three units to 10 units, otherwise, the City runs the risk of placing an insurmountable financial burden on smaller residential developments.

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 for-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 percent 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. Oceanside requires 10 percent for both for-sale and rental housing developments, with rental developments required to provide 10 percent required for lower-income households and for sale developments providing units for lower and moderate-income households. Staff is currently working on a proposed zone text amendment that seeks to incentivize on-site construction of more affordable units as part of our efforts to re-establish a density cap in the Downtown district for mixed-use developments. Staff's recommendations are expected to be presented for City Council consideration this Fall.
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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. Payment of an in-lieu fee is the most common form of alternative compliance allowed by jurisdictions, 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.

Oceanside allows as alternative methods of compliance several options inclusive of in-lieu fees, ADUs, and off-site alternatives in various housing product types for flexibility. However, the development project must demonstrate that the on-site method of compliance would render the development infeasible and does not allow for off-site compliance to be within areas of low-income concentration.

Incentives:
Jurisdictions may 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 do not go beyond such incentives. 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. Oceanside's recent revisions to its IHO provided for consistency with State Density Bonus program and provides for financial assistance where appropriate and for development projects providing more than the requirements and addressing the housing goals of the City.

At the Council's direction, City staff could explore the possibility of allowing non-discretionary (staff level) review of affordable housing projects that meet certain thresholds (i.e., 100% affordability or density bonus projects that include no development standard waivers beyond those automatically afforded by state law (e.g., reduced parking and increased density). However, staff does not recommend waiving development impact fees as any such waiver would need to be supplemented by General Fund revenue in order to ensure that a project's impacts on facilities such as parks or roadways are adequately mitigated.

Inclusionary housing can be a valuable policy tool to partner with the development community in providing affordable housing without local financial subsidies. In designing and amending that successfully creates such housing, the City must consider its local housing market, development costs and other policies that may impact project feasibility. Grounded Solutions Network, through its technical assistance to the Association of Bay Area Governments (ABAG), has created a toolkit and an online inclusionary housing calculator that can assist in modeling the impacts of inclusionary housing policies.

OCEANSIDE

SUMMARY OF INCLUSIONARY HOUSING ORDINANCES/POLICIES

North San Diego County

		Oceanside Part 1; Chapter 14C Inclusionary Housing	Carlsbad CMC Chapter 21.85 INCLUSIONARY HOUSING	Encinitas EMC 30.41 Affordable Housing	Solana Beach SBCM Chapter 17.70	Del Mar DMMC Chapter 24.21 Affordable Housing Mitigation	San Marcos SMMC Chapter 20.310 Inclusionary Housing	Poway Chapter 17.26	Vista	Escondido
Threshold Project Size		3 DUs or more Condo Conversions	1 DU or more *6 DUs or less - In-lieu Fee* Condo Conversions	1 DU or more *6 DUs or less - ADU or In-lieu Fee* Condo Conversions	5 Dus or more Condo Conversions	Parcel Maps & Subdivision Maps for residential lots (SF) 2 DUs or more (Condos, Coops, Apartments) Condo Conversions	1 Du or more Condo Conversions	1 DU or more	As of 4/2022 working towards Inclusionary Housing for projects 20 dus or more	
Affordability Requirement For-Sale	Extremely Low Income					1-2 Dus (Projects of 20 dus+)	Payment of an in-lieu fee			
	Very Low-income			15% very low or 20% low	15% very low or low	1-2 Dus (Projects of 20 dus+)				
	Low-Income	10% low or moderate	15%			20% (Projects 10 Dus or more)		15% low or 20% moderate		
	Moderate-Income									
Affordability Requirement Rental	Extremely Low Income					1-2 Dus (Projects of 20 dus+)	15% (Projects 6 Dus or more Target based on RHNA)			
	Very Low-income			15% very low or 20% low	15% very low or low	1-2 Dus (Projects of 20 dus+)		15%		
	Low-Income	10%	15%			20% (Projects 10 Dus or more)				
	Moderate-Income									
Length of Affordability	For Sale	55 years Resale	30 years Resale or Recapture	In perpetuity	99 years	Not defined	55 years Recapture (Condo Conversions)	45 years		
	Rental	55 years No conversions to condos or other forms of ownership	55 years	In perpetuity	99 years	55 years	55 years No conversion to condos or other forms of ownership	55 years		
Affordable Housing Costs	For Sale	*Sales Prices calculated in accordance with California Health and Safety Code Section 50052.4*	Sales Prices calculated consistent with California Health and Safety Code Section 50052.4	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.4	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.5	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.6	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.6	Sales Prices calculated in accordance with California Health and Safety Code Section 50052.6		
	Rental	*Rent defined consistent w/California Health and Safety Code Section 50053; and,* *No more than 90% of market rent.*	Rent defined consistent w/California Health and Safety Code Section 50053; and, No more than 90% of market rent.	Rent defined in accordance w/California Health and Safety Code Section 50053.	Rent defined in accordance w/California Health and Safety Code Section 50053.	Rent defined in accordance w/California Health and Safety Code Section 50053.	Rent defined in accordance w/California Health and Safety Code Section 50053.	Rent defined in accordance w/California Health and Safety Code Section 50053.		
Design Standards	Exterior	Design and exterior appearance consistent and *compatible with as market rate (appearance, materials, quality)*	Design and exterior appearance consistent and compatible with as market rate (appearance, materials, quality)	Comparable in exterior appearance and overall quality of construction to market-rate units	Design integrated into the residential style	Integrated design, comparable with the market-rate units of the development. Not distinguished by design, construction, or materials.	Compatible and substantially the same in design and exterior appearance of the market-rate units	Compatible and substantially the same in appearance, materials and quality of the market-rate units		
	Interior	*Interior finishes and amenities may differ, but workmanship and products may not be substandard or inferior quality*		Interior finishes and amenities may differ, but workmanship and products may not be substandard or inferior quality	Interior finishes and features may differ, but finishes and features are durable, of good quality and consistent with contemporary standards			Reduction in interio amentiy levels and square footage		
	Bedroom Sizes	Proportionate mix *in response to demand*	Proportionate mix in response to demand 10% as 3 bedrooms Dus for projects of 10 dus or more	Proportional mix of units by bedroom as market rate	Proportional mix of units by bedroom as market rate	Proportional mix of units by bedroom as market rate	Proportionate mix of bedrooms or a larger number of bedrooms and square footage as market rate	On average proportional mix of units by bedroom as market rate		
	Unit Distribution	Subject to fair housing laws		Aff units dispersed throughout development, by floor, section, elevation		Aff units dispersed throughout development		Aff units dispersed throughout development		
	Other			Access and enjoyment of same amenities						

Attachment 2

Housing Neighborhood Services

SUMMARY OF INCLUSIONARY HOUSING ORDINANCES/POLICIES

North San Diego County

		Oceanside Part 1; Chapter 14C Inclusionary Housing	Carlsbad CMC Chapter 21.85 INCLUSIONARY HOUSING	Encinitas EMC 30.41 Affordable Housing	Solana Beach SBCM Chapter 17.70	Del Mar DMMC Chapter 24.21 Affordable Housing Mitigation	San Marcos SMMC Chapter 20.310 Inclusionary Housing	Poway Chapter 17.26	Vista	Escondido
In Lieu Fee	Date Last Updated	Dec 2022	Mar-22				Update Pending 2022	Resolution P-10-08 May 14, 2010		
	Basis	*Affordability gap of fair market price and aff pricing*	15% of subsidy required to make 2 bedroom and 3 bedroom rental and for-sale units affordable for 55 years	Affordability gap of fair market price and aff pricing						
	Applicability	*Optional for all projects w/findings* Fractional units	Projects less than 7 Dus	Projects less than 6 Dus Additions of 500 sq ft or more Reconstruction and replacement of housing more than 500 sq ft Fee provided to another entitled project providing more affordable units	Optional for all projects w/findings Fractional units less than 1/2	Projects of 2 to 5 dus Fractional units less than 1/2	Single Family Rental Projects of 6 or more dus Fractional units	All projects Fractional units		
	Amount	*$15 per SF (2023)* *$20 per SF (2024)*	Single-family residence = $8,515 Two to six units = $15 per square foot. $2,925 per unit (aff housing impact fee)	$20 per SF $20 per SF (residential care facilities)	$25.28 per SF	**Subdivisions:** $25,007.32 per lot created **New Condominium Construction or Conversion:** $31.91 per SF of habitable area	Study at $90,000 per market rate unit Implementation at $9,300 per market rate unit	$500 per market rate unit		

LATE DISTRIBUTION OF MATERIALS

DATE: August 25, 2023

TO: Honorable Mayor and Councilmembers

FROM: Maddison Zafra, City Manager's Office

SUBJECT: **AFFORDABLE HOUSING PRODUCTION STRATEGIES**

Item #1 – Attachment 2 has been edited to include a link to the DRA Inclusionary Housing Study, dated February 8, 2022.

Due to its size, the second part of attachment 2 has not been included in the packet.

To view the document electronically, please go to:

https://www.ci.oceanside.ca.us/home/showpublisheddocument/13061/638279620785030000

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

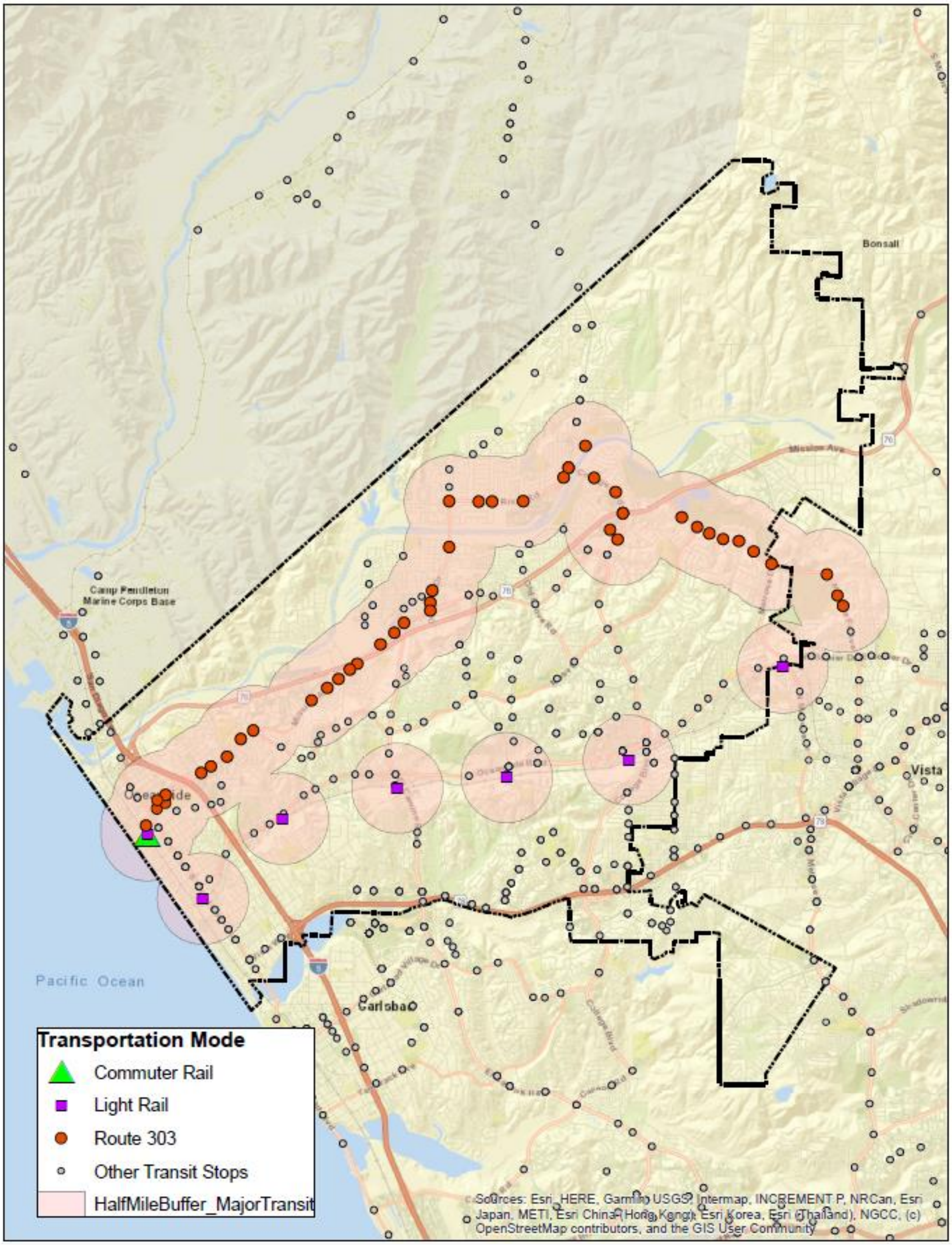
Density Bonus Law (effective 2023)

In 2022, Assembly Bills (AB) 682, 2334, and 1551 were signed into law, effective January 1, 2023, making various amendments and clarifications to State Density Bonus Law, GC Section 65915.

AB 682 establishes “shared housing” as a new category of housing eligible for a density bonus and the other benefits of the Density Bonus Law. “Shared housing” is defined in the legislation as a residential or mixed-use structure containing five or more private units which share common areas such as a kitchen or dining area. The separate units within the shared housing development are treated the same as traditional self-contained housing units for purposes of the density bonus law. The new legislation opens the density bonus law to support a wider range of housing options such as group homes. AB 682 also establishes a method for determining the base density in communities where there are not adopted standards for the maximum number of units per acre.

AB 2334 expands the ministerial development bonuses created by AB 1763 (2019) for 100% affordable housing developments, as defined in § 65915(b)(1)(G). The area where these incentives can be utilized has been significantly expanded from areas within a half-mile of a major transit stop to now also include developments within a "very low vehicle travel area". A “very low vehicle travel area” is defined as an “urbanized area” located within one of the designated counties with per capita vehicle miles travelled per capita at 85% or less of the per capita vehicle miles travelled per capita for the region or city as a whole. Eligible housing development projects located in these areas are permitted unlimited density and are granted an additional three stories, or 33 feet in height, as well as four incentives/concessions. Figure 1 below depicts a ½ mile radius from a major transit stop and a very low VMT areas.

Figure 1: ½ mile radius from a major transit stop and a very low VMT areas



AB 1551 readopts legislation that sunsetted at the end of 2021 requiring that cities and counties provide a “development bonus” to commercial developers who partner with affordable housing developers for the construction of affordable housing on the commercial project site, or offsite within the jurisdiction located near schools, employment, and a major transit stop. Under this law, if a local government agrees, a non-residential development may obtain additional non-residential floor area or other development incentives. The required affordability can be satisfied through an agreement for partnered housing with an affordable housing developer pursuant to the requirements of pursuant to § 65915.7 of the Government Code. To be eligible for the development bonus, at least 30% of the housing units must be restricted to lower income residents or 15% of the housing units must be restricted to very low-income residents. The development bonus can be any mutually agreeable incentive, including up to a 20% increase in development intensity, floor area ratio, or height limits, up to a 20% reduction in parking requirements, use of a limited use elevator, or an exception to a zoning ordinance or land use requirement. Local governments must agree to the terms of the affordability agreement to approve a commercial bonus. AB 1551 extended the provisions of AB 1934 until January 1, 2028, without making any changes.

Proposed 2023 State Legislation

AB 1287 would expand density bonus law to grant an additional density bonus for those development projects that provide additional units for very low or moderate-income beyond the required set aside, so long as the total very low-, low- and moderate-income units does not exceed 50% of the development. For example, a density bonus of up to 88.75% would be available for a project that includes 25% very low-income units (50% density bonus for providing 15% very low-income and an additional 38.75% density for providing 10% more very low-income). A project providing 10% of the units for low-income and 5% for moderate-income could receive a total density bonus of 40% (20% for the low-income units and 20% for the additional moderate-income).

Additional % Restricted as Affordable Very Low- or Moderate-Income	Stacked Density Bonus % Increase	
	Very Low-Income	Moderate-Income
5	20	20
6	23.75	22.5
7	27.5	25
8	31.25	27.5
9	35	30
10	38.75	32.5
11		35
12		38.75
13		42.5

Additional % Restricted as Affordable Very Low- or Moderate-Income	Stacked Density Bonus % Increase	
	Very Low-Income	Moderate-Income
14		46.25
15		50

The bill would require a city, county, or city and county to grant four incentives or concessions for a project that includes at least 16% of the units for very low-income households or at least 45% for moderate-income in a development in which the units are for sale. The bill would also increase the incentives or concessions for a project in which 100% of all units are for lower income households from 4 to 5.

Housing Financial Resources

There are a variety of state and local resources that have been used for housing development and rehabilitation for homeowners and renters. With the dissolution of redevelopment in February 2012 and shrinking of governmental funds, fewer resources will be available in the future to accomplish the Housing goals, policies and programs set forth in this Housing Element.

- Federal HOME Funds

  The HOME Investment Partnerships Act (HOME) program is a flexible grant program, which is awarded to the City on a formula basis from the U.S. Department of Housing and Urban Development (HUD) for housing activities and considers local market conditions, inadequate housing, poverty, and housing production costs. Its purpose is to expand the supply of decent, safe, sanitary, and affordable housing for very low and low-income families. Eligible activities include acquisition, construction, reconstruction and/or rehabilitation of affordable rental or for-sale housing and tenant based rental assistance. The City's annual HOME entitlement is approximately $640,000. However, these funds alone are inadequate to provide the "gap financing" required to subsidize an affordable housing project. HOME regulations have specific requirements for the commitment and expenditure of funds that requires shovel ready projects and programs ready for immediate implementation.

  As part of the American Rescue Plan (ARP) Act of 2021, HUD awarded Oceanside $2,248,491 in HOME ARP funding. The objective of the HOME-ARP Program is to reduce homelessness and increase housing stability for qualifying populations and low-income households (those at or below 80% area median income). As approved by the City Council on April 20, 2022, and by HUD in the City's HOME-ARP Allocation Plan, HOME-ARP funds will be used for the development of permanent supportive housing for the unsheltered.

- Federal Section 8 Housing Choice Voucher

  The Section 8 Housing Choice Voucher (HCV) program is a Federal government program to assist very low-income families, the elderly, and the disabled with rent subsidy payments in privately owned rental housing units. Section 8 participants are able to choose any housing that meets the requirements of the program and are not limited to units located within subsidized housing projects. They typically pay 30 to 40 percent of their income for rent and utilities. There are currently 1,463 households assisted with HCVs by the Oceanside Housing Authority (OHA) and 4,786 households on the OHA HCV waiting list. The OHA is currently working with resident households who applied in 2016.

The OHA can utilize up to 20 percent of its allocated HCVs as Project Based Vouchers (PBVs) or approximately 280 PBVs. The OHA is under contract for 110 project-based vouchers for Old Grove Apartments, Marisol, North Coast Terrace, and Greenbrier Village. Project based vouchers (PBVs) are an essential source of revenue in the funding stack of permanent supportive housing for those extremely low-income households. PBVs may only be awarded through a Notice of Funding Availability process and must be approved by HUD.

- State of California Redevelopment Low and Moderate-Income Housing Set-Aside Funds

In accordance with AB X1 26, as of February 1, 2012, redevelopments agencies in California were dissolved and revenues were returned to the State of California through successor agencies. Funds are used exclusively for the preservation, improvement, and expansion of the low- and moderate-income housing supply within the community. Statutory obligations require that over each five-year compliance period, at least 30 percent of such development expenditures must assist extremely low-income households (30% of AMI), while no more than 20 percent may assist low-income households (between 60% to 80% of AMI). Under HSC Section 34176 (b), a maximum of 50 percent of deed-restricted rental housing units assisted by the former Agency, Housing Authority, or City in the previous 10 years may be restricted to seniors.

The current fund balance of the Low and Moderate-Income Housing fund is approximately $2.5 million. The Community Development Commission, as a successor housing agency, receives repayment on outstanding loans provided as gap financing for the development of affordable housing from Low and Moderate-Income Housing funds. Loan repayments will be used by the CDC to enforce and monitor existing terms and conditions associated with the loan and to create new housing opportunities as funds allow.

- State of California Permanent Local Housing Allocation (PHLA) Program

In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act (Act), which established a $75 recording fee on real estate documents to increase the supply of affordable housing, with priority for those households at or below 60 percent of the AMI. The Act establishes the Permanent Local Housing Allocation (PLHA) program administered by the California Department of Housing and Community Development (HCD).

On June 17, 2020, the City Council adopted a five-year plan, as required by the State, for an estimated total of $3,984,906. As specified in its PLHA five-year plan, funds are allocated to the development and operation of the Oceanside Navigation Center. To date, the City has received its first year of funding in the amount of

$649,151. Due to the statutory requirements of the PLHA program, the City was unable to make application for its Year 2 ($1,008,982) and 3 ($1,110,353) funding totaling $2,119,335 as the City did not have a State certified Housing Element at such time. It is anticipated with a compliant Housing Element, the City will be able to make application for its available Years 2, 3 and 4 PLHA funding anticipated in October 2023.

- Local Inclusionary Housing In-lieu Fund

  Chapter 14C-Inclusionary Housing of the Oceanside City Code provides the opportunity to a residential developer to pay a fee in lieu of providing affordable units on site, as last resort option when units cannot be newly constructed and/or acquired. The per-square-foot in-lieu fee is calculated on a case-by-case basis. The funds collected from the Inclusionary Housing In-lieu fees are then applied and/or leveraged with additional funding sources to create affordable housing in other locations. The current Inclusionary Housing In-lieu Restricted Fund balance is approximately $10.7 million.

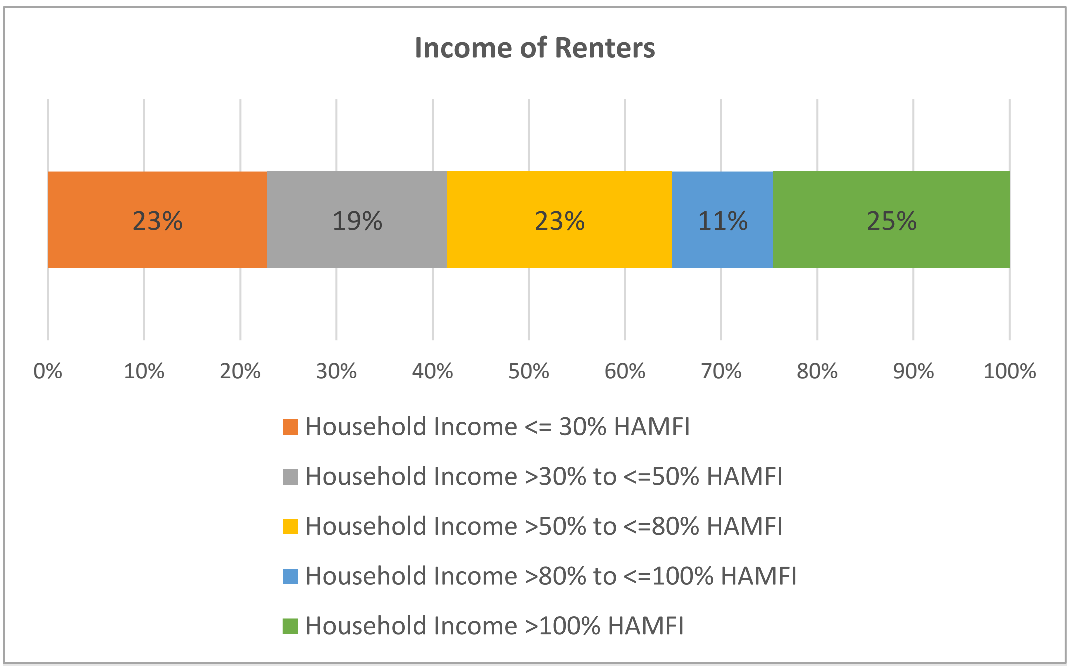
Attachment 5

Providing housing options for all
Building strong families
Strengthening the social and physical fabric of the community

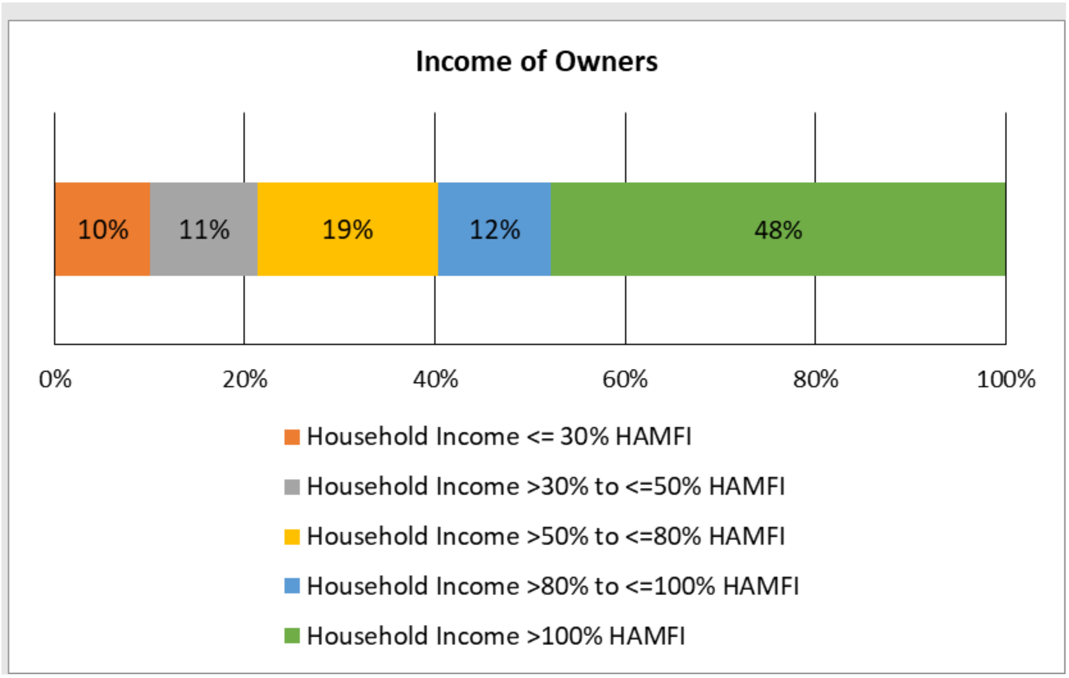
Need for Affordable Housing

In Oceanside,65% of renter households are considered to be lower-income earning less than 80% of the Area Median Income (AMI) or $110,250/year for a family of four, 23% are low income and 42% are considered very low-income or $68,900 or less a year for a family of four. For homeowners, 40% are lower-income, with 19% low-income and 21% considered very low-income.

The average annual household income of the City's current 1,460 Housing Choice Voucher (HCV)program (aka Section 8 Rental Assistance) participants is $23,404 or $1,950 a month.

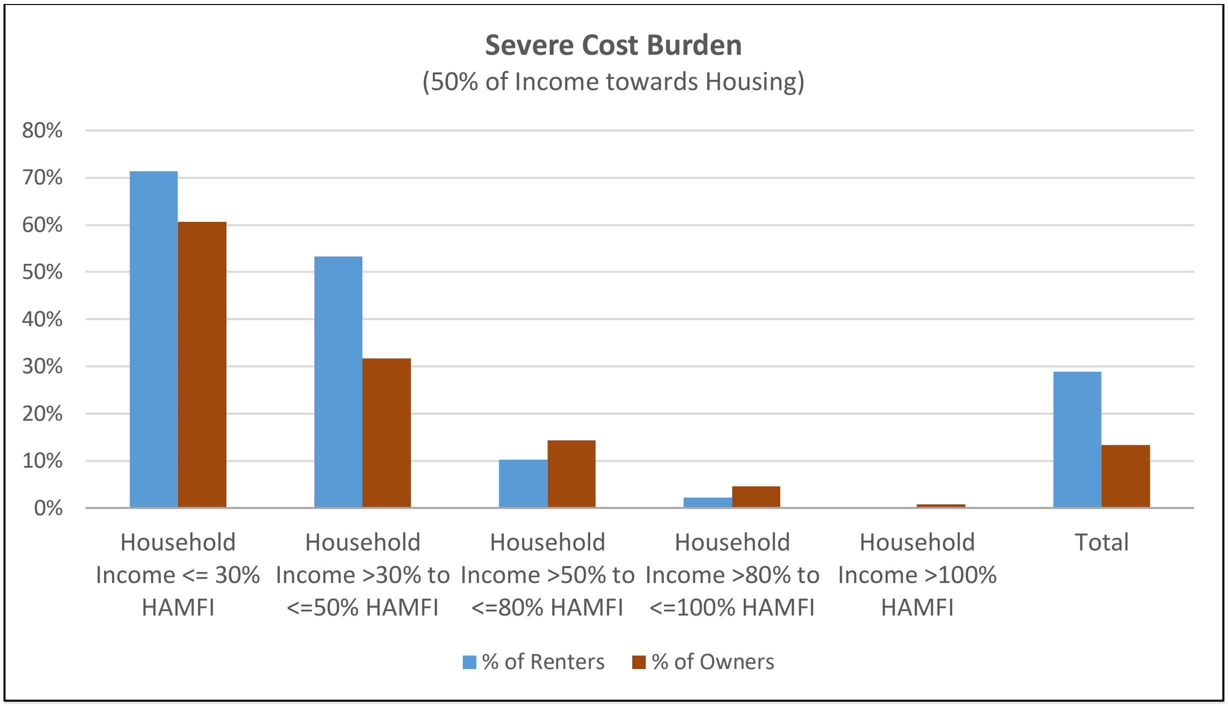


Source: HUD CHAS, 2015-2019 ACS



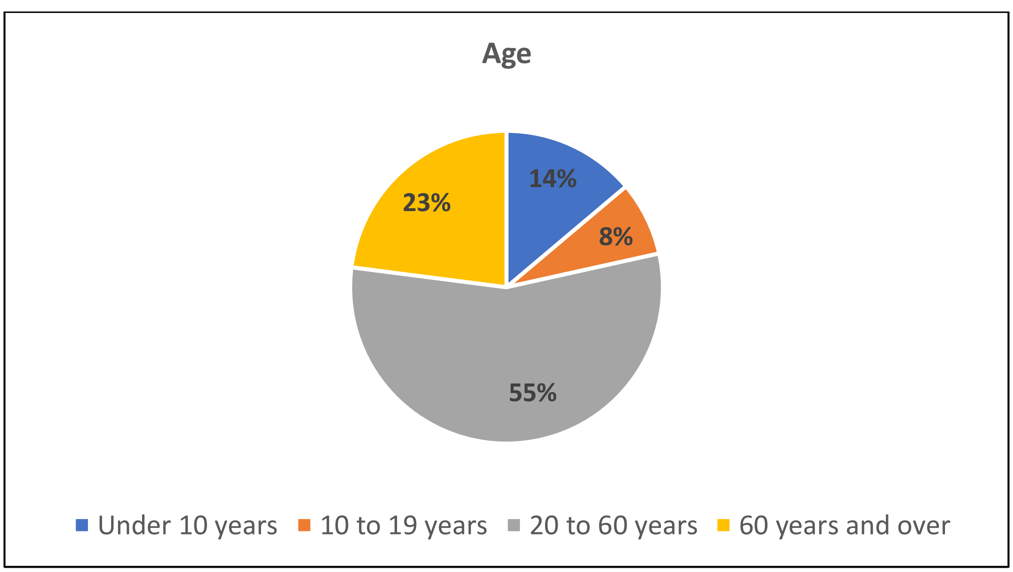
Source: HUD CHAS, 2015-2019 ACS

In Oceanside, 42% of households are "severely cost burdened.", of which 29% are renters and 13% are homeowners This means that residents pay more than 50% of their gross income on housing, leaving insufficient income to pay for their other needs such as food, clothing, medical care, and transportation. For lower income renter households, the housing cost burden is greater, with 63% of lower-income renters paying more than 50% of their income for housing. The majority of an extremely low- and very low-income renter's income goes towards housing costs, with 71% of extremely low-income renters and 53% of all very low-income renters severely cost burdened.



Source: HUD CHAS, 2015-2019 ACS

Housing needs are influenced by the age characteristics of the population. Different age groups require different accommodations based on lifestyle, family type, income level, and housing preference. Twenty-three percent (23%) of the City's population is aged 60 years or older. Approximately 43% of the City's HCV program participants are aged 62 years and over. As the "Baby Boom" generation enters the retirement years, the needs for senior housing are expected to increase significantly.



Source: American Community Survey 5-year Estimates

Housing Affordability

For a three-bedroom housing unit in Oceanside, with an average rental cost of $3,129, very low-, low-, even median income households could not afford a rental unit without becoming cost burdened and spending more than 30% of their monthly income on rent, not including utilities. The cost differential for affordable housing costs for homeownership is far greater, with the median sales price at $790,200 and an estimated monthly mortgage at $4,641.

Family of 4	Area Median Income	Low Income 80% of AMI	Very Low Income 50% AMI
Annual Income[3]	$116,800	$110,250	$68,900
Monthly Income	$9,733	$9,188	$5,742
Maximum Monthly Housing Cost Considered Affordable (State HCD)	$2,920	$1,752 $2,044	$1,460
Affordability of Rent	+$299	+$1,467	+$1,759
Affordability of Mortgage Payment	+$1,721	+$2,597	+$3,181

Oceanside Average Rent 3 Bedroom[4] = $3,219
Oceanside Median Home Price 3 Bedroom = $790,200[5]; $4,641 monthly mortgage[6]

Based upon a general rule of thumb of earning three times the rent, a household would need to earn approximately $9,600 a month or $55/hour at 40 hours a week to afford the average 3-bedroom unit in Oceanside.

These high rents place tremendous pressure on individuals and families. Often forcing families to crowd into smaller apartments, to endure longer commutes to less expensive housing markets, and to accept substandard housing.

[3] San Diego-Carlsbad, CA MSA, U.S. Department of Housing and Urban Development (HUD), Effective Date: May 15, 2023
[4] May 2023, Apartments For Rent in Oceanside CA - 823 Rentals | Apartments.com
[5] April 2023, Oceanside, California Housing Market Report April 2023 - RocketHomes
[6] May 2023, 10% down and 6.125% interest, Get Customized Loan Quotes From Zillow

Providing housing options for all
Building strong families
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San Diego-Carlsbad, CA MSA **2023**

Household Income Limits

HUD Method

Note: The following household income limits are adjusted for a high cost area as per the Federal Housing Act of 1937 and calculated using HCD methodology to comply with Health and Safety Code Sections 50052.5 and 50093.

San Diego-Carlsbad, CA MSA **$ 116,800**
U.S. Department of Housing and Urban Development
May 15, 2023 Effective Date

Hshold Size	Extremely Low Income 30%			35%			40%			45%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$28,950	$2,413	$723	$33,800	$2,817	$845	$38,600	$3,217	$965	$43,400	$3,617	$1,085
TWO	$33,100	$2,758	$827	$38,600	$3,217	$965	$44,100	$3,675	$1,103	$49,600	$4,133	$1,240
THREE	$37,250	$3,104	$931	$43,450	$3,621	$1,086	$49,600	$4,133	$1,240	$55,800	$4,650	$1,395
FOUR	$41,350	$3,446	$1,033	$48,250	$4,021	$1,206	$55,100	$4,592	$1,378	$62,000	$5,167	$1,550
FIVE	$44,700	$3,725	$1,117	$52,150	$4,346	$1,303	$59,550	$4,963	$1,489	$67,000	$5,583	$1,675
SIX	$48,000	$4,000	$1,200	$56,000	$4,667	$1,400	$63,950	$5,329	$1,599	$71,950	$5,996	$1,799
SEVEN	$51,300	$4,275	$1,282	$59,850	$4,988	$1,496	$68,350	$5,696	$1,709	$76,900	$6,408	$1,923
EIGHT	$54,600	$4,550	$1,365	$63,700	$5,308	$1,592	$72,750	$6,063	$1,819	$81,850	$6,821	$2,046

Hshold Size	Very Low Income 50%			60%			70%			Low Income 80%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$48,250	$4,021	$1,206	$57,900	$4,825	$1,447	$67,550	$5,629	$1,688	$77,200	$6,433	$1,930
TWO	$55,150	$4,596	$1,378	$66,200	$5,517	$1,655	$77,200	$6,433	$1,930	$88,200	$7,350	$2,205
THREE	$62,050	$5,171	$1,551	$74,450	$6,204	$1,861	$86,850	$7,238	$2,171	$99,250	$8,271	$2,481
FOUR	$68,900	$5,742	$1,722	$82,700	$6,892	$2,067	$96,450	$8,038	$2,411	$110,250	$9,188	$2,756
FIVE	$74,450	$6,204	$1,861	$89,350	$7,446	$2,233	$104,200	$8,683	$2,605	$119,100	$9,925	$2,977
SIX	$79,950	$6,663	$1,998	$95,950	$7,996	$2,398	$111,900	$9,325	$2,797	$127,900	$10,658	$3,197
SEVEN	$85,450	$7,121	$2,136	$102,550	$8,546	$2,563	$119,600	$9,967	$2,990	$136,750	$11,396	$3,418
EIGHT	$90,950	$7,579	$2,273	$109,200	$9,100	$2,730	$127,350	$10,613	$3,183	$145,550	$12,129	$3,638

Hshold Size	100%			110%			Moderate Income 120%			140%		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	$81,750	$6,813	$2,043	$89,950	$7,496	$2,248	$98,100	$8,175	$2,452	$114,450	$9,538	$2,861
TWO	$93,450	$7,788	$2,336	$102,800	$8,567	$2,570	$112,100	$9,342	$2,802	$130,800	$10,900	$3,270
THREE	$105,100	$8,758	$2,627	$115,650	$9,638	$2,891	$126,150	$10,513	$3,153	$147,150	$12,263	$3,678
FOUR	$116,800	$9,733	$2,920	$128,500	$10,708	$3,212	$140,150	$11,679	$3,503	$163,500	$13,625	$4,087
FIVE	$126,150	$10,513	$3,153	$138,800	$11,567	$3,470	$151,350	$12,613	$3,783	$176,600	$14,717	$4,415
SIX	$135,500	$11,292	$3,387	$149,050	$12,421	$3,726	$162,550	$13,546	$4,063	$189,650	$15,804	$4,741
SEVEN	$144,850	$12,071	$3,621	$159,350	$13,279	$3,983	$173,800	$14,483	$4,345	$202,750	$16,896	$5,068
EIGHT	$154,200	$12,850	$3,855	$169,600	$14,133	$4,240	$185,000	$15,417	$4,625	$215,800	$17,983	$5,395

Note: Income levels 80% and below are adjusted by a HUD high cost area allowance.

This general income information is calculated from the U.S. Department of Housing and Urban Development (HUD) income figures. Specific program requirements may vary.

Prepared by Affordable Housing Services Information, LLC © 2023 Web: www.AHSinfo.com Phone (858) 832-1460

Attachment 6

COUNTY (fill-in): **San Diego** — **2023** (fill-in: Cal Yr)

Affordable Housing Cost: AREA MEDIAN INCOME (AMI): **$116,800** (fill in: median income, 4-person)

To find COUNTY & INCOME to "fill-in":
for AMI, use "Official State Income Limits" at below link
https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf

	RENTER	OWNER
Health & Safety Code (H&SC):	§ 50053	§ 50052.5
Extremely Low	30%	30%
Very Low	50%	50%
Low	60%	70%
Moderate	110%	110%

[**Formula**]
(These columns show how the maximum monthly rent and maximum housing cost were calculated.)

H&SC 50052.5(h)

Note: Cost does not reflect deduction of allowances (e.g. utilities)

Income Group	Unit Size Bedrooms	HH Size Persons	Maximum Monthly Rent Cost (Renters)	Maximum Month House Cost (Owners)	[(Max Cost %	x Median % Upper Limit	x Above County's Area Median Income	x * Family Size Adj.	) Months]
Extremely Low Income HH	0 (Studio)	1	$613	same	30%	30%	$116,800	0.7	/ 12
	1 bedroom	2	$701	same	30%	30%	$116,800	0.8	/ 12
	2 bedrooms	3	$788	same	30%	30%	$116,800	0.9	/ 12
	3 bedrooms	4	$876	same	30%	30%	$116,800	1.0	/ 12
	4 bedrooms	5	$946	same	30%	30%	$116,800	1.08	/ 12
	5 bedrooms	6	$1,016	same	30%	30%	$116,800	1.16	/ 12
Very Low Income HH	0 (Studio)	1	$1,022	same	30%	50%	$116,800	0.7	/ 12
	1 bedroom	2	$1,168	same	30%	50%	$116,800	0.8	/ 12
	2 bedrooms	3	$1,314	same	30%	50%	$116,800	0.9	/ 12
	3 bedrooms	4	$1,460	same	30%	50%	$116,800	1.0	/ 12
	4 bedrooms	5	$1,577	same	30%	50%	$116,800	1.08	/ 12
	5 bedrooms	6	$1,694	same	30%	50%	$116,800	1.16	/ 12
Low Income HH	0 (Studio)	1	$1,226	60% applies to renters	30%	60%	$116,800	0.7	/ 12
	1 bedroom	2	$1,402		30%	60%	$116,800	0.8	/ 12
	2 bedrooms	3	$1,577		30%	60%	$116,800	0.9	/ 12
	3 bedrooms	4	$1,752		30%	60%	$116,800	1.0	/ 12
	4 bedrooms	5	$1,892		30%	60%	$116,800	1.08	/ 12
	5 bedrooms	6	$2,032		30%	60%	$116,800	1.16	/ 12
	0 (Studio)	1	70% applies to owners	$1,431	30%	70%	$116,800	0.7	/ 12
	1 bedroom	2		$1,635	30%	70%	$116,800	0.8	/ 12
	2 bedrooms	3		$1,840	30%	70%	$116,800	0.9	/ 12
	3 bedrooms	4		$2,044	30%	70%	$116,800	1.0	/ 12
	4 bedrooms	5		$2,208	30%	70%	$116,800	1.08	/ 12
	5 bedrooms	6		$2,371	30%	70%	$116,800	1.16	/ 12
Moderate Income HH	0 (Studio)	1	$2,248	30% applies to renters	30%	110%	$116,800	0.7	/ 12
	1 bedroom	2	$2,570		30%	110%	$116,800	0.8	/ 12
	2 bedrooms	3	$2,891		30%	110%	$116,800	0.9	/ 12
	3 bedrooms	4	$3,212		30%	110%	$116,800	1.0	/ 12
	4 bedrooms	5	$3,469		30%	110%	$116,800	1.08	/ 12
	5 bedrooms	6	$3,726		30%	110%	$116,800	1.16	/ 12
	0 (Studio)	1	35% applies to owners	$2,623	35%	110%	$116,800	0.7	/ 12
	1 bedroom	2		$2,998	35%	110%	$116,800	0.8	/ 12
	2 bedrooms	3		$3,373	35%	110%	$116,800	0.9	/ 12
	3 bedrooms	4		$3,747	35%	110%	$116,800	1.0	/ 12
	4 bedrooms	5		$4,047	35%	110%	$116,800	1.08	/ 12
	5 bedrooms	6		$4,347	35%	110%	$116,800	1.16	/ 12

** Family Size (1-8) Adjustment: Adjustments are made so larger families have higher income limits.*
The 4-person income limit serves as the base in calculating income limits for household sizes other than 4 persons.
For family sizes ranging from 1 to 8 persons, the multipliers are as follows:

Number of Persons (below):

1	2	3	4	5	6	7	8
0.7	0.8	0.9	1.0 (base)	1.08	1.16	1.24	1.32

Decimal Multipliers (above):

For households larger than eight persons (all income categories), determine income limit as follows:

Per person (PP) adjustment above 8: (1) multiply the four-person income limit by eight percent (8%), (2) multiply result by number of persons in excess of eight, (3) add the amount to the income limit for eight persons, and (4) round the result to the nearest $100.

For projects with no federal assistance, household size is set at number of bedrooms in unit plus one (H&SC 50052.5(h))

Median Income is held harmless from 2012 at $75,900.

EXAMPLE	4 persons	x 8% PP Adj	added to 8 persons	= 9 persons	8 persons+8%PPAdj(x2)		= 10 persons
Extremely Low	41,350	3,308	54,592	57,890	25,750	6616	61,238
Very Low Income	68,900	5,512	90,990	96,550	47,100	11024	102,010
Lower Income	110,250	8,820	145,540	154,400	73,600	17640	163,180
Moderate Income	140,150	11,212	184,988	196,210	106,250	22424	207,382

Effective: June 6, 2023