

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, SEPTEMBER 27, 2022**

MINUTE ORDER NO. 22

**SUBJECT: INCREASING THE REGION'S WORKFORCE HOUSING OPPORTUNITIES
(DISTRICTS: ALL)**

OVERVIEW

As the cost of living and housing prices continue to rapidly increase in the San Diego region, many middle-class individuals and families are unable to afford adequate housing. This spring, the median price for a single-family house in San Diego County reached \$950,000, an increase of 28.5% over the previous year's price. According to recent calculations, an annual household income of at least \$245,000 is needed to afford a median home price in our region. In addition to real estate speculation and investor purchases of residential homes, a major factor contributing to the sharp rise in local housing costs is the inability of the San Diego region to produce enough housing stock to keep pace with demand. Market forces make the cost of non-subsidized housing unattainable for many middle-class earners, and most housing subsidies are currently focused on supporting low-income affordable housing initiatives. This has resulted in a significant gap in housing for our workforce, including our teachers, healthcare workers, public safety officers, and those employed in construction and other trades. This lack of housing production has also prevented many of those living in affordable housing units from transitioning to the next level of home ownership, causing waitlists for affordable units to grow rapidly.

The lack of middle-class housing affordability in San Diego County has pushed some of our local workforce to live in areas distant from their jobs - even in other counties, or across the U.S.-Mexico border - resulting in dramatically increased commute times, vehicle miles traveled, and greenhouse gas emissions. San Diego recently surpassed San Francisco as having the most unaffordable housing market in the nation and with gas prices, transportation costs and inflation at historically high levels, our workforce continues to suffer. In addition to the high cost of purchasing a home, rental prices have surged in the County with the median price of rent at approximately \$3,500 a month, a rise of almost 20% compared to the previous year. This marks the highest average jurisdictional rental increase in California. The average rent for a studio apartment in San Diego County is currently \$2,789. According to the most recent U.S. Census data, although the average salary in San Diego County is approximately \$68,195, to afford an average priced studio apartment in the region, an individual's annual salary must be \$111,560 or higher to comfortably rent.

As compared to affordable housing which has significant incentives and funding opportunities, there are virtually no incentives and funding sources available to expand housing opportunities for vulnerable middle-class households in the 80% - 120% range of the Area Median Income (AMI). Currently, tax credits from the State are cut off at 80% AMI, so homebuilders have fewer incentives to develop units affordable to middle-class families. Many households at this income level do not qualify for affordable housing support from the government, despite being extremely rent-burdened by San Diego's high market-rate rents. The lack of funding incentives and high building costs has contributed to the region's inability to meet the Regional Housing Needs Assessment (RHNA) allocations for San Diego County.

San Diego County Regional Housing Needs Assessment (RHNA) Information

RHNA allocation, Incomes, and Production				
Income Category	AMI	**Income Limit	RHNA Allocation	2021 APR Production
Very-Low	0-50%	\$65,050	1,834	46
Low	50-80%	\$104,100	992	318
Moderate	80-120%	\$128,300	1,165	398
*Above-Moderate	120%+	\$128,300+	2,709	663
*Middle-income (120-150% AMI) is included in the above-moderate income				
**Incomes reflect 2022 incomes for a family of four.				

The City of San Diego formed a Middle-Income Housing Workgroup that resulted in various recommendations to address the middle-income housing gap. These recommendations include: developer fee reductions, additional density bonuses, streamlining the historical review process, streamlining compliance with stormwater regulations, allowing for the use of less costly innovative construction materials and technology, and building housing on top of municipal facilities. The City has also been asked by this group to consider long-term actions such as construction loan guarantees, property tax reductions for middle-income housing, community land trusts and philanthropic funds to acquire homes.

State leaders have recognized a serious shortage of middle-income housing which they frequently identify as the “missing middle.” According to a recent Pew Research Center analysis, about half of U.S. families (52%) are considered middle-class households. However, the focus of government intervention in meeting RHNA numbers has been to support affordable housing production for low to extremely low-income individuals.

The County can help address the need to produce additional housing by investigating the potential use of innovative actions to spur new development. For example, through the creation of a housing loan fund and program, and partnerships with private and social investors and homebuilders, the County could assist in the development of deed-restricted housing for San Diego County’s middle-class families. This initiative could contribute to our County’s RHNA goals, Climate Action Plan and job creation. Board action brought forward on August 31, 2021(7) suggested the potential use of loan funds for developers as an incentive to increase affordable housing production. The County of San Diego should also play a leadership role in identifying solutions to address housing inventory specific to middle-class families that are getting outpriced in the housing market for the San Diego region.

This board letter recommends several actions to help increase the production of middle-class housing in our region through the creation of a pilot workforce housing program for the 80%-120% AMI range. This program could employ mechanisms such as a revolving loan fund, partnerships with private investors, and the pooling of funding and coordination of existing resources such as the San Diego Middlemarch Fund, that supports workforce and moderate-income housing production in the County.

The proposed workforce housing program should include considerations to address both opportunities for home ownership and rentals. It could prioritize preservation and rehabilitation of existing commercial and residential units, as well as acquisition of units or buildings in danger of foreclosure, for the purpose of providing housing with regulatory covenants for families that earn between 80% and 120% AMI. Action would also include legislative advocacy, expanding first-time home buyers' opportunities, creating working groups focused on workforce housing production and affordability, and any additional proposals and recommendations to support workforce housing.

RECOMMENDATION(S)

SUPERVISOR JOEL ANDERSON AND VICE-CHAIR NORA VARGAS

1. Direct the Chief Administrative Officer to report back in 180 days with options and recommendations on the creation of and resources needed to develop a pilot workforce housing program for the production of housing for rental and home ownership opportunities in the 80-120%AMI range through mechanisms such as:
 - a. a revolving loan or equity fund with the County providing low interest loans in exchange for deed restriction of moderate-income housing in the 80-120% AMI range
 - b. the County serving as the financial conduit for leveraging and incentivizing private, social, and philanthropic investments to financially contribute to the workforce housing program
 - c. the coordination of efforts and pooling of funding from existing resources and entities for workforce housing production.
2. Direct the Chief Administrative Officer to return to the Board in 180 days with a recommended amount and a funding source to serve as initial seed money for a County or contract-administered fund for the workforce housing program.
3. Direct the Chief Administrative Officer to investigate the potential of expanding the County's first-time home buyer program, the Down Payment and Closing Cost Assistance (DCCA) Program, to individuals in the 80-120%AMI range and evaluate opportunities to reduce the cost of borrowing for all program participants and return to the Board in 180 days with recommendations.
4. Direct the Chief Administrative Officer to add to the County's Legislative Program, support for funding, legislation, or administrative action that facilitates and incentivizes the production of moderate to middle-income housing in the 80-120% AMI range.
5. Direct the Chief Administrative Officer to create a Middle-Income Housing Workgroup to review and build on the City of San Diego's workgroup recommendations and provide input on current production barriers, ways to increase workforce housing production, and other ideas to increase workforce housing opportunities.
6. Direct the Chief Administrative Officer to create a working group of financial experts and stakeholders to identify potential County government and private financial tools and incentives to increase housing affordability and reduce the cost of financing housing purchases for our essential workers and those with occupations with a substandard supply of housing. These categories include professions such as teachers, emergency personnel, healthcare professionals, caregivers, childcare providers, and government workforce.

EQUITY IMPACT STATEMENT

Affordable housing has been a crisis in California, particularly for people that have become known as the “missing middle.” Working families, particularly individuals who identify as Black, Indigenous, and people of color (BIPOC), are struggling to afford elevated market-rate housing and are earning just enough to make them unable to disqualify them for housing subsidies. A recent report released by the San Diego Housing Commission reflects that goals and policy proposals related to workforce housing and addressing the housing shortage for middle-class families, are expected to address factors impacting housing supply and homeownership, particularly for our working communities of color. The San Diego Housing Commission and San Diego City-County Reinvestment Task Force considered several recent policy reforms discussed and approved in the past two years on workforce and middle-income housing to have the greatest impact and hold the most promise for increasing BIPOC homeownership by encouraging density, promoting construction, and streamlining processes. Today’s actions seek to advance these opportunities by addressing gaps in housing stock and affordability for our vulnerable populations and workforce.

SUSTAINABILITY STATEMENT

This item seeks to engage the community in a meaningful way and elicit stakeholder input to foster inclusive and sustainable communities with sufficient housing. Action encourages diverse stakeholders to partner and participate in decisions to increase workforce and housing affordability which is necessary for sustainable regional infrastructure and a vibrant regional economy.

FISCAL IMPACT

Funds for this request are not included in the Fiscal Year (FY) 2022-23 Operational Plan. This request will result in an estimated cost of \$125,000 for consulting services. Funding for the cost will need to be identified, and staff will monitor and return to the Board with mid-year action to adjust the budget if necessary or incorporate in future budgets as funding becomes available. At this time, there is no impact to net General Fund cost and no additional staff years. Staff will return to the Board for consideration and approval of any other future fiscal impacts that may result from the recommendations, including the potential use of the American Rescue Plan Act (ARPA) resources reprioritized by the Board for housing and behavioral health activities, and as an “evergreen” investment fund, and unallocated approved funds for research and pilot programs budgeted in the Housing & Community Development Services Department.

BUSINESS IMPACT STATEMENT

A Workforce Housing Program would support the building and construction trades industry through increased job opportunities related to an increase in the construction of housing, and positively impact the workforce and local businesses through the purchase of materials and by creating and enhancing access to more homes, incentivizing the working-class to stay in the region.

ACTION:

ON MOTION of Supervisor Anderson, seconded by Supervisor Vargas, the Board of Supervisors took action as recommended.

AYES: Vargas, Anderson, Lawson-Remer, Fletcher, Desmond

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter