



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: August 31, 2021

TO: Board of Supervisors

SUBJECT

ADVANCING IMMEDIATE AND LONG-TERM HOUSING PRIORITIES THROUGH THE INNOVATIVE HOUSING TRUST FUND (DISTRICTS: ALL)

OVERVIEW

Since its inception in 2017, the County's Innovative Housing Trust Fund (IHTF) has proven to be an important financing tool for funding affordable housing throughout the region. The first two rounds of the program totaled \$50 million in County investment and spurred the development of 1,397 affordable units across 20 development projects, leveraging over \$560 million in public and private capital sources.

On April 6, 2021, the San Diego County Board of Supervisor's directed the Chief Administrative Officer to refer for budget consideration the establishment of \$25 million in additional funding to expand the IHTF and support complementary approaches to tackle San Diego's affordable housing crisis. The Board also directed the Chief Administrative Officer to conduct outreach to community stakeholders to identify ways to enhance the IHTF program to better meet financing needs and increase affordable housing production across the County. The Fiscal Year 2021-22 Operational Plan was adopted on June 29, 2021, and included \$25 million funding for this request, though further Board direction is needed for use of the funds associated with the \$25 million affordable housing allocation.

On July 21, 2021, County staff sent a memorandum to the Board of Directors summarizing the results of the outreach and engagement with community stakeholders, including feedback on potential changes to existing IHTF Notice of Funding Availability (NOFA) criteria and preferences.

Today's action improves the IHTF program to address the issues raised by community stakeholders, including (1) increasing flexibility in the timing of awards, (2) prioritizing projects near transit and low VMT areas, and (3) adding consideration for developments on County-owned land.

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Further, this action also allocates funds to support research, policy development, and piloting new programs to develop comprehensive solutions to accelerate housing production.

In the near-term, this action moves \$20 million into the IHTF to be used for financing affordable housing projects. Based on the deployment and leverage results of prior IHTF rounds, these funds could facilitate the development of approximately 400-600 affordable housing units.

However, the regional affordable housing need is massive at nearly 99,000 units and cannot be solved through incremental investments into existing programs alone. Over the past decade, the San Diego region has only produced enough affordable housing to meet 12% of the need, while the County has only met 18% of its Regional Housing Needs Assessment affordable housing targets.

The scale of the shortfall requires us to work broadly and boldly to develop new programs and policies that can tackle the enormity of our housing crisis and ensure that safe, affordable, and sustainable housing is available for all. Thus, today's action also recommends utilizing \$5 million for transformative housing research, policy development, and piloting new programs and initiatives to develop comprehensive and systemic solutions that can accelerate housing production.

Today's action will align funding resources to address both immediate and longer-term housing priorities.

We urge our colleagues to join us in supporting these actions.

RECOMMENDATION(S)

SUPERVISOR TERRA LAWSON-REMER AND SUPERVISOR JOEL ANDERSON

1. Direct the Chief Administrative Officer to place \$20 million of the funding previously allocated to support affordable housing into the Innovative Housing Trust Fund, which may be used to support affordable housing development and preservation.
2. Direct the Chief Administrative Officer to amend the Innovative Housing Trust Fund NOFA criteria and preferences to as follows:
 - a. Increase the flexibility in the timing of awarding Innovative Housing Trust Fund awards to allow for County funds, in the Chief Administrative Officer or designee's discretion, to be committed to projects prior to securing State and federal funding.
 - b. Address equity and environmental justice disparities by including a preference of Environmental Justice areas and Healthy Places Index (HPI) area with scores under 50%.
 - c. Address sustainability and climate emergency by authorizing that there shall be a preference for affordable housing developments in low VMT areas as defined by SB 743; and for projects that include sustainable building materials and sustainable design principles, per LEED, EnergyStar, BREEM or an equivalent sustainability certification body.
 - d. Authorize creation of a preference for projects on County-owned property, with the Chief Administrative Officer or designee determining whether and under what conditions to apply the preference in each NOFA.

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3. Direct the Chief Administrative Officer to utilize \$5 million already appropriated to affordable housing purposes for additional innovative and sustainable affordable housing policy research, affordable housing policy development, and implementation and evaluation of affordable housing pilot programs that advance equity, sustainability, and affordability.

EQUITY IMPACT STATEMENT

Housing affordability and housing insecurity are key drivers of regional and statewide poverty rates. The high cost of housing impacts all San Diegans, but the burden falls disproportionately on low-income households and communities of color especially young families with children. Disparities in housing affordability, accessibility, and segregation are not incidental but directly linked to past and current discriminatory policies that have exacerbated racial and ethnic gaps in housing stability, homeownership, and intergenerational wealth. Inequalities across the housing market have also resulted in impediments to fair housing choice to many populations, including persons with disabilities, persons with HIV/AIDS, older adults, as well as LGBTQ+ individuals. Housing unaffordability is also a key driver of the regional homelessness crisis, which saw a sharp increase of people entering homelessness even before the COVID-19 epidemic.

FISCAL IMPACT

Funds for this request are already included in the Fiscal Year 2021-22 Operational Plan. Therefore, there is no additional fiscal impact from this board action. If approved, these requests will result in estimated costs and revenue of \$25,000,000 in Fiscal Year 2021-22. This includes \$20,000,000 for the support of affordable housing development and preservation to be deposited into the Innovative Housing Trust Fund and \$5,000,000 for costs associated with housing research, policy development, and piloting new programs and initiatives to develop comprehensive and systemic solutions that can accelerate housing production. The funding source is the General Fund. There will be no change in net General Fund costs and no additional staff years.

BUSINESS IMPACT STATEMENT

These actions will positively impact the economic outlook and business climate across the San Diego region. High cost of living and housing cost burden are major barriers for businesses looking to attract and retain a highly skilled workforce. Each year, the County of San Diego loses a net total of 23,000 people, with the high cost of living as one of the driving factors. Further, households that are not housing cost burdened tend to have more disposable income to stimulate local economic activity. The regional economy also stands to gain from the spillover effects from the construction and renovation of affordable housing units. Research from the National Association of Home Builders estimates that a typical 100-unit affordable housing development leads to the creation of 80 construction jobs from direct and indirect effects, and another 42 jobs supported by induced spending throughout the region.

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

Since its inception in 2017, the County's Innovative Housing Trust Fund (IHTF) has proven to be an important financing tool for funding affordable housing throughout the region. The first two

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rounds of the program totaled \$50 million in County investment and spurred the development of 1,397 units across 20 affordable housing developments, leveraging over \$560 million in public and private capital sources.

On April 6, 2021, the San Diego County Board of Supervisor's directed the Chief Administrative Officer to referred for budget consideration the establishment of \$25 million in additional funding to expand the IHTF. The Board also directed the Chief Administrative Officer to conduct outreach to community stakeholders to identify ways to enhance the IHTF program to better meet financing needs and increase affordable housing across the County. The Fiscal Year 2021-22 Operational Plan was adopted on June 29, 2021, and included \$25 million funding for this request, though further Board direction is needed to formally move the funds into the IHTF.

On July 21, 2021, County staff sent a memorandum to the County Board of Directors summarizing the results of the outreach and engagement with community stakeholders including feedback on potential changes to existing rules and preferences to the IHTF NOFA along several key themes as discussed below.

Community Feedback and Recommended Changes to the Innovative Housing Trust Fund

Today's action recommends amending and improving the IHTF NOFA criteria to address the issues raised by community stakeholders as summarized in the County staff Memo, including the following three changes:

- **Increase Flexibility in Timing of Awards:** The IHTF NOFA criteria should be amended to provide flexibility so that funds can be committed to a proposed development after local funds are secured but prior to developers securing federal and State funding. Community stakeholders agreed that this would enable local developments to be more competitive in securing and leveraging federal and State funds, while still maintaining a development timeline whereby developments would be completed within 2-4 years of award.
- **Prioritize Projects Near Transit and Low VMT Areas:** The IHTF NOFA shall be amended to include a preference for projects in low vehicle miles travel (VMT) areas, as defined in SB 743, to encourage sustainable, transit-adjacent, and transit supportive development. Community stakeholder respondents reported that VMTs, reduction of fuel emissions, and various energy saving features like solar, energy efficient appliances, and drought resistance landscape are important factors to consider when planning affordable housing developments. Further, projects that include sustainable building materials and sustainable design principles, per LEED, EnergyStar, BREEM or an equivalent sustainability certification body shall be given preference.
- **Consider Projects on County-owned Land:** The IHTF NOFA criteria should be amended to include additional consideration for projects on County-owned land. Some community stakeholder respondents noted the lack of coordinated alignment between County-led initiatives to develop affordable housing on County-owned land and specific preferences in the IHTF NOFA criteria.

Aligning Resources to Address Immediate and Longer-Term Housing Priorities

Recent 2020 progress data on the 5th Cycle Regional Housing Needs Assessment (RHNA) shows that the region has only permitted 73,578 units out of 161,980 units identified as the RHNA goal,

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resulting in a regional shortfall of 88,400 units. Put another way, we have only met 45% of the regional housing needs. Most of the missing units are concentrated at the lower and middle portions of the income spectrum, where we only met 12% of the regional housing needs. In concrete number, San Diego County is missing approximately 32,000 very low-income units for households making under \$54,000 per year, 22,500 low-income units for households making between \$54,000 and 87,000 per year, and 28,000 moderate income units for households making between \$87,000 and \$130,000 per year.

The vast scale of the housing shortfall is also evident in the Unincorporated County. The County produced only 1,733 units out of the 9,534 low- and moderate-income units targeted in the RHNA (meaning we only met 18% of the affordable housing need). According to the 6th Cycle RHNA we need to somehow produce another 4,000 low- and moderate-income units over the next 8 years. The massive scale of this housing shortfall requires us to research and pilot new programs and policies and identify systemic changes that can accelerate housing production at scale.

Thus, today's action also recommends utilizing \$5 million for further affordable housing research, policy development, and piloting new programs and initiatives to develop comprehensive and systemic solutions that can accelerate affordable housing production. Such programs may include expanding first-time homebuyer programs, incentive programs for innovative construction techniques, affordable housing incentive programs through Planning and Development Services, green affordable housing incentives, land value recapture arrangements, research into additional fee revenue sources, greater regional housing coordination, partnerships and platforms, and initiatives to accelerate affordable housing on public lands. It is contemplated that the \$5 million for affordable housing research and studies will be utilized as directed by the Board of Supervisors.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's actions support the Sustainable Environments/Thriving Strategic Initiative in the County of San Diego's 2022-2027 Strategic Plan, as well as the County's Live Well San Diego vision, by providing funding for the development of affordable housing throughout the region.

Respectfully submitted,

TERRA LAWSON-REMER
Supervisor, Third District

JOEL ANDERSON
Supervisor, Second District

ATTACHMENT(S)
N/A

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: ☐ Yes ☒ No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED

☐ Yes ☒ No

PREVIOUS RELEVANT BOARD ACTIONS:

April 6, 2021 (8) Expanding the Innovative Housing Trust Fund; November 17, 2020 (11) Request for Authorization to Negotiate and Award Funding from the Innovative Housing Trust Fund; February 25, 2020 (8) Report on the Affordable Housing Developments funded from the Innovative Housing Trust Fund; June 25, 2019 (6) Second Consideration: An Ordinance Amending Section 232.5 of Article Xv of the San Diego County Code of Administrative Regulations Relating to the Innovative Housing Trust Fund; April 30, 2019 (7) Expanding the Innovative Housing Trust Fund; April 9, 2019 (3) Fiscal Year 2019-20 Annual Plan; October 10, 2017 (7) Adoption of the Innovative Housing Trust Fund Ordinance; September 12, 2017 (4) First reading of Innovative Housing Trust Fund Ordinance; June 20, 2017 (21) Innovative Housing Initiative – Tackling Homelessness and Affordability.

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION
NUMBER(S):**

N/A

ORIGINATING DEPARTMENT: : Board of Supervisors, District 2 and District 3

OTHER CONCURRENCE(S): N/A

CONTACT PERSON(S):

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