



Heidi VonBlum
Director, Planning Department
City of San Diego
202 C St.
San Diego, California 92101

Re: Item #7 Amendment in Land Development Code Update

Dear Ms. Vonblum:

On behalf of the organizations listed above, we write first to thank you and your team for the extraordinary effort realized by the 2025 land development code update (LDC). We recognize the outreach, effort, and ongoing work you have all contributed to improving our code for those engaging with the City. While many of our organizations have submitted individualized letters with positions that include items of support, this coalition is focused on **Item #7, eliminating the waiver of development impact fees (DIF) for homes under 500 sq. ft. using the Complete Communities program**. In an effort to provide the most productive feedback possible, we have structured the following parts of the letter into (1), a proposed compromise, and (2) our rationale.

Proposal:

As written: This amendment to the Complete Communities Housing Solutions Regulations would remove the development impact fee waiver for homes less than 500 square feet.

As Amended: This amendment to the Complete Communities Housing Solutions Regulations would ~~remove~~ *cap* the development impact fee waiver to *apply to no more than thirty percent of* homes less than 500 square feet in a project.

Rationale:

When originally introduced, one of the major incentives for Complete Communities was the fee waiver. This program has been an extraordinarily effective tool for the City in housing production precisely because of the incentives offered being appropriate for development. While we have adjusted the program over the years, this waiver is fundamental to the program and a clean elimination is, in our opinion, detrimental to housing production. As you well know, this policy does not exist in a vacuum, which is to say that the general landscape for housing production remains challenging despite best efforts to improve it. DIF fees have increased steadily since 2022, and the baseline costs to build continue to increase. Historically, we have appreciated the

Department's review of financial feasibility of projects when reviewing possible policy changes and request that same approach today.

A 30% cap on the DIF waiver would align the incentive with the City's demographic profile and affordability goals. Approximately 30% of households in the City have just 1 person. It's important that we continue housing affordability incentives for this population.

When a project supplies 30% of its units at 500 sf or less, it is simply providing housing that fits the need of small households. The DIF waiver for micro-units is an essential tool to incentivize the creation of these more naturally affordable homes. A 30% DIF waiver cap is compatible with creating more family-sized units as well because it removes the incentive for 70% of a project's unit total, which will help encourage more 2 and 3-bedrooms homes.

Our coalition recognizes that the City would like to see a balanced production of housing, and a broader mix of unit types and sizes. We are in full agreement that providing housing for all individuals, at all ranges of income, in all phases of life and family scenarios is an appropriate objective. However, we must oppose the current proposal as written as we believe it will not help achieve this goal and instead hurt housing in this program that generally has been successful at providing a mix of unit types for varied incomes.

As a final related comment, our coalition is also interested in the process by which projects will vest under this proposed change and the associated implementation.

Again, we are deeply appreciative of the work of your team to improve the City's code and appreciate the opportunity to work collaboratively with you toward that end. We are hopeful we can identify a mutually agreed upon path that preserves the full housing opportunity within Complete Communities and look forward to continued discussion.

Respectfully,

Lori Holt Pfeiler

Building Industry Association of San Diego

Chris Cate

San Diego Regional Chamber of Commerce

Colin Parent

Circulate San Diego

Melanie Woods

California Apartment Association

Craig Benedetto

NAIOP