Making Strides in Creating Middle-Income Housing in San Diego

By Paul Bergeron
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With over half of California residents experiencing cost burdens for housing, the state is facing a shortage and is in search of solutions. A panel at the 2022 ULI Spring Meeting titled "Legalize Housing: Innovative Housing Policies to Produce More Housing at All Income Levels" looked at what is working in the San Diego market.

Moderator Diego Velasco, principal and founder of Citythinkers, an integrated and multidisciplinary planning, urban design, and research firm, led a panel that included Heidi Vonblum, planning director, city of San Diego; Rammy Cortez, developer and builder, Rammy Urban Infill; Colin Parent, executive director and general counsel, Circulate San Diego; and Andrew Malick, founder and principal, Malick Infill Development.

"'It's not *whether*, it's *how'* is the motto for San Diego in its efforts to create more housing for more people in all communities," said Vonblum. "These aren't homes for strangers; these are homes for our neighbors."

Vonblum said many California markets first ask whether they can build housing; but in San Diego, "we continually ask, how can we do this?" she said. "And we're not just talking about building a bunch of micro-units. You have to look at affordability. You have to build for all types of people, including families. The homes, too, must align with the city's climate goals."

By definition, a household is cost burdened if it spends at least 30 percent of its income on housing.

Vonblum also said housing policy can and should be about more than just providing homes. "Housing policy is conservation policy; it's infrastructure policy," she said. It is also important to engage with the community upfront and not rely as much on panels made up of people who might not live in that neighborhood, she said.

San Diego's projects are not just built and forgotten, she added. "They must be continually monitored and show incremental improvements."

Circulate San Diego a "Bonus" for Housing

Working with local governments and using programs that are citywide can make it easier to overcome regulatory obstacles, Parent said. In San Diego, the Circulate San Diego program has thrived through its Home Runs for Homes program, which offers bonuses through the California Density Bonus Law to developers that include affordable housing in a mixed-income property.

Previously, developers setting aside 11 percent of their units as "affordable" could build 35 percent more housing at their complex. That ratio has been upped to those constructing 15 percent affordable housing can increase their development size by 50 percent.

"In the past five years, this has been working very well," Parent said. "We're seeing that 95 percent of those using Circulate are building within a half mile [0.8 km] from a transit area."

"Circulate San Diego's report shows that the city of San Diego's Affordable Homes Bonus Program [AHBP] is doing what we intended it to do—build homes that San Diegans can actually afford," San Diego Mayor Todd Gloria said in a release. "It's a proven success and a model for cities throughout California and beyond."

Since the AHBP was implemented in 2016, it has been used in projects creating 6,481 homes. In addition, the AHBP was used to create 463 deed-restricted affordable homes in mixed-income projects, financed primarily without reliance on public subsidy.

San Diego's experience became the basis for California Assembly Bill 2345, which extended the enhanced bonus statewide. AB 2345 was written by former assembly member Lorena Gonzalez and cosponsored by Circulate San Diego and Up for Growth.

Focusing on the Missing-Middle Market

Malick said developers submitting proposals through "form" rather than by unit or specs has also been beneficial. "It's giving developers a chance to be more creative," he said. Ideally, the housing units average less than 600 square feet (56 sq m) and are no more than 800 square feet (74 sq m), he said.

Cortez also emphasizes urban housing development. "I want to house people, not cars," he said.

"Not every decision you make has to be based on the internal rate of return," he said.

"We're focused on the missing-middle market—those who earn 80 percent to 120 percent of AMI—and we're doing it without any government subsidies."