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May 18, 2018

Councilmember Georgette Gomez
San Diego City Council
202 C Street, 10th Floor
San Diego, CA 92101

Subject: Draft Middle Income Bonus Regulations – SGLU Hearing, May 21, 2018

Dear Chair Georgette Gomez,

On behalf of Circulate San Diego, whose mission is to create excellent mobility choices and vibrant, healthy neighborhoods, I am writing to support of the proposed Middle Income Bonus Program. This Program provides another tool to help alleviate the current housing crisis.

1. Circulate’s advocacy shaped the current proposal to make it more compatible with the existing and successful affordable homes bonus program.

Soon after the program was announced in the Mayor’s State of the City in 2017, Circulate expressed concerns that the Middle Income Bonus might cannibalize the successful Affordable Homes Bonus. We worried that while the Middle Income Bonus benefits were more modest, they might be more attractive to developers in certain situations. Projects that need only the more modest Middle Income Bonus benefits could receive them without building more deeply-subsided units required by the Affordable Homes Bonus. While we strongly support more middle income homes, we do not think that worthy policy goal should come at the expense of existing incentives to build affordable homes.

Circulate proposed a number of fixes to the Middle Income Bonus Program, including the ability to “stack” the program’s benefits with the Affordable Homes Bonus Program. We are grateful to see this policy being adopted and proposed by the Faulconer administration. The ability to “stack” the programs has two key benefits, which offset our concerns about potential cannibalization. First, developers already willing to build affordable units and maximize land use capacity with the Affordable Homes Bonus Program will have an option to receive a second more modest bonus. Second, 100% affordable developers will be able to use both programs as a matter of course, significantly expanding how many affordable homes can be built with limited subsidy dollars and available land.

Attached as an appendix to this letter is a graphic demonstrating the potential that stacking can create for producing more homes in San Diego.

2. Circulate recommends changes to the draft we most recently reviewed, to ensure the program advances the cause of affordability for all income levels.

The version of the Middle Income Bonus Program that was last reviewed by Circulate San Diego should be amended in two minor ways to ensure its success.

- A. First, the code should be clarified such that the units for middle income renters be restricted not solely for families between 120 percent and 150 percent of area median income, but instead for families making no more than 150 percent of area median income. This will allow developers building 100 percent affordable buildings to rent middle income units to households at even lower income levels.
- B. Second, the Middle Income Bonus Program should incorporate language from municipal code section 143.0717, which requires new projects utilizing the Affordable Homes Bonus Program to replace any displaced formerly affordable homes. Public policy should strive to add new homes at all income levels, while taking care to avoid unnecessary displacement of existing and naturally affordable homes. The two bonus programs should abide by the same rules to avoid one being used to displace, while the other is precluded from doing so.

3. Conclusion.

Circulate has been actively involved in the development of the City of San Diego's Affordable Homes Bonus Program, and we organized a coalition to support its adoption in 2016.¹ In 2017, we published a report showing how successful the Affordable Homes Bonus Program has been,² which generated news coverage in national outlets for this important housing innovation.³ We also participated in drafting of the Middle Income program regulations as a part of the City's Affordable Homes Working Group, which I originally convened while serving at the San Diego Housing Commission.

Our organization is committed to helping to develop more homes at every income level. The Middle Income Bonus Program will help serve this important cause. The City of San Diego should continue to monitor the impact of its various bonus programs. Adjustments and updates should be made as necessary to ensure that the programs continue to create generate mixed income developers and neighborhoods.

Sincerely,



Colin Parent
Executive Director and General Counsel
Circulate San Diego

¹ Circulate San Diego, Letter: Coalition of Supporters for Affordable Homes Bonus Program (June 16, 2018), available at <http://www.circulatesd.org/affordablehomesbonus>.

² Circulate San Diego, Early Success for Affordable Homes Bonus Program (October 18, 2017), available at <http://www.circulatesd.org/ahbpreport>.

³ Josh Cohen, San Diego's Affordable Housing Program Could One Up California, Next City, October 26, 2017, available at <https://nextcity.org/daily/entry/san-diego-affordable-housing-inclusionary-zoning-success>.

Appendix – Comparison of Proposed Bonus Programs:

No Bonus

Affordable Bonus

**Middle Income Bonus
(Proposed)**

**Stacked Bonuses
(Proposed)**

San Diego Statistics for Family of Four:	
Average Income (100% AMI):	\$79,300
Affordable VLI (50% AMI):	\$45,450
Middle Income (150% AMI):	\$118,950
Affordable Gross Rents:	\$1,136
Middle Income Gross Rents:	\$2,973
2BR Average Market Rent:	\$1,823

