HOUSING ELEMENT SELF-CERTIFICATION REPORT:

Implementation of a Pilot Program for the San Diego Region

June 1998

San Diego
ASSOCIATION OF GOVERNMENTS

401 B Street, Suite 800
San Diego, CA 92101
(619) 595-5300

Board of Directors

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ABSTRACT

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ABSTRACT:	State legislation (AB 1715) sponsored by SANDAG in 1995 created the opportunity for jurisdictions within the San Diego region to self-certify the housing element of their general plans. This report presents the procedures developed by the SANDAG Housing Element Advisory Committee for implementing this housing element self-certification option.

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Kimberley Dellinger
Cathy Creswell, alternate

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Escondido
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Gary Pryor
Edward Baker
Ron Barefield
Joan Vokac
Nancy Whelan
Susan Quasarano

MacLeod Consulting Services, Seifel Associates, and Goldfarb and Lipman assisted SANDAG staff and the Housing Element Advisory Committee in the preparation of this report.

The following staff of the San Diego Association of Governments contributed to the preparation of this report.

Kenneth E. Sulzer, Executive Director
Stuart Shaffer, Deputy Executive Director
Michael McLaughlin, Director of Land Use and Public Facilities Planning
Susan Baldwin, Senior Regional Planner
Patrick O'Neill, Intern
J. Dichoso, Intern
Rebecca Davis, Intern

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Introduction

The state requires that all cities and counties prepare a housing element of their general plan every five years, and that they submit their housing elements to the State Department of Housing and Community Development for a determination of substantial compliance with state law. State legislation (AB 1715) sponsored by SANDAG in 1995 created the opportunity for jurisdictions within the San Diego region to self-certify the housing element of their general plans. This report presents the procedures developed by the SANDAG Housing Element Advisory Committee (committee) and approved by SANDAG for implementing this housing element self-certification option. A copy of state law is included in Appendix I.

The main body of this report explains what jurisdictions must do in order to pursue the self-certification option. The appendices present additional detail on implementation procedures as well as the origins of the data underlying the affordable housing goals for the 1999-2004 housing element cycle.

San Diego jurisdictions viewed the housing element self-certification option as having three purposes:

1. to give jurisdictions more flexibility in how they meet affordable housing goals,
2. to focus on housing production rather than paper generation, and
3. to eliminate the State Department of Housing and Community Development's (HCD) review and certification of the updated housing elements.

Criteria for Housing Element Self-Certification Option

The housing element self-certification criteria as set forth in AB 1715 (Section 65585.1 of the Government Code) are:

<u>Criterion 1</u>: *The jurisdiction's adopted housing element or amendment substantially complies with the provisions of this article, including addressing the needs of all income levels.*

This criterion means that before June 30, 1999 and June 30, 2004 jurisdictions choosing self-certification must prepare an updated housing element with the same content and analysis as is required of those who seek certification through the State Department of Housing and Community Development.

Criterion 2: *For the third housing element revision pursuant to Section 65588, the jurisdiction met its fair share of the regional housing needs for the second housing element revision cycle, as determined by SANDAG.*

This criterion means that in order to self-certify the housing element prepared in 1999, a jurisdiction must meet its fair share housing goal contained in the SANDAG Regional Housing Needs Statement during the current housing element cycle (1991 to 1999) (Table 1). The fair share goals may be met by a variety of housing programs including new construction, acquisition, rehabilitation, rental or ownership assistance, and preservation.

Criterion 3: *For subsequent housing element revisions, the jurisdiction has provided the maximum number of housing units/opportunities as determined pursuant to Section 65585.1 (a) within the previous planning period.*

This criterion means that in order to self-certify the housing element due in 2004, a jurisdiction must meet an affordable housing goal which is based on available financial resources and regulatory measures. The methodology for generating this goal is described in the Appendices and the results are shown in Table 2. The types of housing programs cited under criterion 2 may also be used to meet the 1999-2004 affordable housing goal.

Criterion 4: *The city or county provides a statement regarding how its adopted housing element or amendment addresses the dispersion of lower income housing within its jurisdiction, documenting that additional affordable housing opportunities will not be developed only in areas where concentrations of lower income households already exist, taking into account the availability of necessary public facilities and infrastructure.*

The updated housing elements prepared in 1999 and 2004 for self-certifying jurisdictions would include this information.

Criterion 5: *No local government actions or policies prevent the development of the identified sites pursuant to Section 65583, or accommodation of the jurisdictions' share of the total regional housing need pursuant to Section 65584.*

This criterion emphasizes requirements of the state housing element law to avoid government actions that impede the construction of housing.

AB 1715 specifies that both SANDAG and the State Department of Housing and Community Development (HCD) must agree on the methodology for setting the affordable (low income) housing goals for 2004 (criterion 3). In the absence of agreement, jurisdictions will not have the self-certification option in 2004. State HCD, as a member of the Housing Element Advisory Committee, participated in development of, and are in agreement with, the affordable housing goals for the 1999-2004 housing element cycle as described herein.

Procedures for Housing Element Self-Certification

The linchpin in the self-certification process is whether a jurisdiction achieves its affordable housing goal for the relevant housing element cycle. These housing goals are for low, very low and extremely low income households (hereafter referred to as "affordable housing goals"). The goals for the 1991-1999 cycle and the estimated goals for the 1999-2004 cycle are shown in Tables 1 and 2, respectively.

Jurisdictions interested in pursuing housing element self-certification would take the following actions:

1. Prepare an updated housing element;
2. Determine if the affordable housing goal for the cycle and the other criteria specified in AB 1715 have been met; and
3. Adopt and certify their updated housing element.

Each of these actions is described below for the 1999 and 2004 housing element cycles.

Actions Required for Housing Element Self-Certification in 1999

Prepare an Updated Housing Element

All California jurisdictions are required to update the housing element of their general plans in compliance with state law. Those jurisdictions pursuing the self-certification option must also prepare a complete updated housing element before June 30, 1999. This includes addressing the regional share housing needs of all income levels, identifying adequate sites, and complying with the other housing element requirements specified in state law.

Article 10.6 Housing Elements of the state's Government Code specifies the content of housing elements. Excerpts of some relevant sections follow.

> *Section 65583. The housing element shall consist of identification and analysis of existing and projected housing needs...*
>
> *The housing element shall make adequate provision for the existing and projected needs of all economic segments of the community.*
> *(a) An assessment of housing needs shall include the following:*

(1) Quantification of the locality's existing and projected housing needs for all income levels. These existing and projected needs shall include the locality's share of the regional housing need in accordance with Section 65584....

(c) In order to make adequate provision for the housing needs of all economic segments of the community, the program shall do all of the following:

(1) Identify adequate sites.
(2) Assist in the development of adequate housing to meet the needs of low- and moderate-income households....

Section 65584 (a) For purposes of subdivision (a) of Section 65583, the share of a city or county of the regional housing needs includes the share of housing need of persons at all income levels within the area significantly affected by a general plan of the city or county....

Determine If Fair Share Affordable Housing Goal Has Been Met

For the 1991-99 housing element cycle, AB 1715 uses the existing SANDAG affordable housing "fair share goals" established in 1990. To self-certify in 1999, a jurisdiction must meet their fair share goal as shown in Table 1.

The fair share goals for each jurisdiction are set forth in SANDAG's 1990 Regional Housing Needs Statement. They were originally prepared to ensure that assistance to low income households was provided in an equitable manner throughout the region.

These goals were developed by determining the total regional number of existing and projected low income households in need of assistance and allocating each jurisdiction their fair share of this housing need based on population, housing, income and employment characteristics. Given the limited resources available for low income housing, the annual "fair share goal" for each jurisdiction was calculated as 2.5% per year (or 12.5% over the five year cycle) of each jurisdictions' low income housing needs. SANDAG prepares periodic reports on local progress toward meeting the fair share goals.

State legislative actions have extended the current 5-year housing element cycle; it now ends in 1999, instead of 1996. Although the cycle is now 8 years instead of 5 years, the fair share goals were not revised because of two factors:

1. the low level of construction that occurred because of the recession; and
2. the decision to use the fair share goals for self-certification, a purpose for which they had not originally been intended.

Table 1
1991-1999 Affordable Housing Goals

Jurisdiction	(1) 1991-96 Total Fair Share Affordable Housing Needs	(2) 1999 Housing Element Affordable Housing Fair Share Goals	(3) 1991-96 Affordable Housing Performance Totals
Carlsbad	9,000	1,125	604
Chula Vista	8,466	1,058	1,629
Coronado	2,073	259	393
Del Mar	521	65	9
El Cajon	3,761	470	1,133
Encinitas	4,307	538	232
Escondido	6,765	846	1,312
Imperial Beach	335	42	164
La Mesa	3,612	452	670
Lemon Grove	1,391	174	129
National City	298	37	396
Oceanside	7,734	967	1,192
Poway	4,518	565	145
San Diego	74,529	9,316	6,584
San Marcos	4,221	528	313
Santee	5,239	655	659
Solana Beach	1,552	194	96
Vista	3,662	458	578
County Unincorporated	31,828	3,979	2,299
	173,812	**21,728**	**18,537 Housing Opportunities**

***How to Use this Table**:*

Column 1 shows the results of the 1990 Regional Housing Needs Statement in which affordable housing needs were allocated among the region's jurisdictions.

Column 2 shows each jurisdiction's fair share goal.

Column 3 shows jurisdictions' progress through December 31, 1996 in meeting their fair share goal for the 1991-99 housing element cycle (updated on or before 6/5/98). Jurisdictions have until June 30, 1999 to meet their fair share goal (which makes them eligible for housing element self-certification).

The housing performance data submitted by jurisdictions, as shown on Table 1, indicate that as of December 31, 1996 ten jurisdictions have met their fair share goal for the 1991-1999 cycle and are therefore eligible for housing element self-certification in 1999. These jurisdictions are:

- Chula Vista
- Coronado
- El Cajon
- Escondido
- Imperial Beach
- La Mesa
- National City
- Oceanside
- Santee
- Vista

Several other jurisdictions are nearing their fair share goal and may be eligible for housing element self-certification in 1999. The housing element self-certification process does not include an oversight or verification mechanism; therefore it is the responsibility of each jurisdiction to calculate their own housing performance in both this and future housing element cycles.

Principles and Guidelines for Program Eligibility were prepared to help guide a jurisdiction's determination as to whether it has met its fair share affordable housing goal. (See Appendix II for the full text of these Principles and Guidelines.)

Housing Element Adoption and Certification in 1999

To complete the self-certification process, an eligible jurisdiction:

1. Holds a public hearing;
2. Makes findings, based on substantial evidence, that it has met the relevant criteria for housing element self certification (Section 65585.1 of the Government Code);
3. Adopts the updated housing element; and
4. Submits a self-certification of compliance (letter) to the Department of Housing and Community Development with its adopted housing element (for their information not their approval).

Actions Required for Housing Element Self-Certification in 2004

The self-certification process is the same in 2004 as in 1999, with the exception of the affordable housing goals and the method (credit system) for calculating whether a jurisdiction has met that goal.

Prepare an Updated Housing Element

The scope and content of this requirement is the same as described above for the 1999 housing element self-certification process. State law requires that the updated element be prepared by June 30, 2004.

Determine If Affordable Housing Goal Has Been Met

A jurisdiction is eligible to self-certify if the affordable housing goals for 1999-2004 have been met. An estimate of this goal for each jurisdiction is shown in Table 2. AB 1715 directed that these goals be based on available financial resources and regulatory measures and that SANDAG employ a consultant to assist with the goal setting methodology.

AB 1715 also specifies that these goals must be met in approximate proportion to the needs of low, very low and extremely low income households in the regional population. (See Appendix II, page 23 for income definitions.) These are 41%, 32% and 27% respectively. Appendix III provides a complete description of the methods used to calculate a jurisdiction's affordable housing goal for 1999-2004.

Table 2
1999-2004 Affordable Housing Goals

Jurisdiction	(1) Series 8 Housing Unit 2004 Forecast	(2) Estimated 1999-2004 Affordable Housing Goal	(3) Estimated Extremely Low Income Goal (27%)	(4) Estimated Very Low Income Goal (32%)	(5) Estimated Low Income Goal (41%)
Carlsbad	38,715	629	170	201	258
Chula Vista	68,671	1,029	278	329	422
Coronado	9,820	190	51	61	78
Del Mar	2,577	21	6	7	8
El Cajon	35,152	562	152	180	230
Encinitas	24,035	191	52	61	78
Escondido	50,429	755	204	242	309
Imperial Beach	10,419	83	22	27	34
La Mesa	25,028	411	111	132	168
Lemon Grove	9,504	215	58	69	88
National City	16,174	314	85	100	129
Oceanside	63,012	944	255	302	387
Poway	15,815	307	83	98	126
San Diego	504,014	7,546	2,037	2,415	3,094
San Marcos	26,382	512	138	164	210
Santee	20,894	490	132	157	201
Solana Beach	6,473	52	14	17	21
Vista	31,883	510	138	163	209
County Unincorporated	175,521	1,869	505	598	766
Totals	**1,134,518**	**16,630**	**4,491**	**5,323**	**6,816**

Column 2 is an estimate of the affordable housing goals. The actual calculation will be based on the State Department of Finance housing unit estimates as of January 1, 2004. The actual goal will vary depending on growth rates and annexations. These estimates are based on the SANDAG Series 8 growth forecast and were prepared to assist jurisdictions planning to self-certify in 2004.

Housing Element Adoption and Certification in 2004

The self-certification process and adoption of an updated housing element is the same in 2004 as in 1999 for the eligible jurisdictions.

Affordable Housing Goal Methodology for 2004

The affordable housing goal methodology has three parts, it

1. Sets affordable housing goals for each jurisdiction;
2. Creates a system that varies the credit received depending on the difficulty associated with creating different types of eligible housing opportunities; and
3. Establishes principles and guidelines that embody the flexibility for jurisdictions to count a wide variety of affordable housing opportunities.

These 3 components of the affordable housing goal methodology are introduced below and explained in more detail in Appendix III.

Affordable Housing Goals for 1999-2004

The law requires that the affordable housing goals for 1999-2004 equal the maximum number of affordable housing units/opportunities jurisdictions can provide based on the financial resources and regulatory measures available in the next housing element cycle. A generalized approach to setting these goals was selected because future funding availability can not be accurately quantified and any pre-determination of future local housing policy choices would infringe on the autonomy of the jurisdictions.

This generalized approach to setting affordable housing goals relies on the following as indicators of future housing performance:

1. 1991-1996 housing performance and financial resources/regulatory measures used;
2. Simulation of the future housing element cycle in a workshop setting;[1]
3. Financial resources available now and likely changes in the next cycle; and
4. Past pattern of jurisdictions' use of available regulatory measures as well as prospective regulatory measures that may be under-utilized.

Appendices III and IV present detailed information on the creation of the affordable housing goals for 2004.

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[1] *Workshop participants in November 1996 were given the task to create low income housing opportunities using the resources and regulatory measures available in three simulated jurisdictions representing composite characteristics found among the region's jurisdictions*

Credit System

A credit system was created to account for the differences in implementing various housing programs. For example, the energy and political capital required to build a new low income housing project for families far exceeds that needed to implement a shared housing program.

The credit system presented in Appendix III assigns base values ranging from .9 to 1.1 for each eligible housing program. Additional credits are given depending on such program/project characteristics as the length of the commitment to serve low income persons and the size of the unit created. This credit system only applies to the housing element cycle ending in 2004.

Principles and Guidelines for Program Eligibility

Principles and Guidelines for Program Eligibility were prepared to help guide a jurisdiction's determination as to whether it has met its affordable housing goal.

See Appendix II for the full text of these Principles and Guidelines.

Frequently Asked Questions

Question 1: *If a jurisdiction is not interested in self-certification, is it required to have an affordable housing goal for the 1999 to 2004 housing element cycle?*

Answer**:** A jurisdiction is not required to participate in the self-certification process and may consider asking that an affordable housing goal not be set for it for the next cycle (1999 to 2004). The drawback is that future elected officials would not have the option to self-certify in 2004. Although many jurisdictions are still considering whether self-certification is right for them, they are participating in generating the affordable housing goals for 1999-2004 to enable future policy makers the choice of whether or not to self-certify in 2004.

Question 2: *How can past performance weigh heavily on the prediction of future performance since*

a. programs available now may not be available during the next housing element cycle, and

b. jurisdictions in the past may not have maximized their capability to produce housing opportunities?

Answer: a. The consultant and committee evaluated the data on past performance and assessed which opportunities were likely to be available in the next cycle. This thought process attempted to establish a level playing field between the past and the future housing element cycles.

The Federal Department of Housing and Urban Development (HUD) Section 8 rental certificate program is an example of the need for adjusting past performance data in the context of projecting future resources/program availability. These certificates constituted up to 50% of some jurisdictions' housing performance in 1991-96; yet this program is expected to be dramatically cut-back or eliminated in the next housing element cycle.

In order for the committee to consider the 1991-96 housing performance data as an indicator of future performance, these Section 8 data needed to be adjusted to account for the program differences between this cycle and next cycle. Without this adjustment, the past performance data could cause an over-estimation of what a jurisdiction can reasonably accomplish next cycle. This adjustment was balanced by a parallel action of committee agreement that most Section 8 rental certificates would not be eligible to be counted next cycle (since they would not be increasing much anyway).

b. The methodology for creating the affordable housing goals for 2004 used the data from the top performers during the current cycle. The theory is that the top performers tended to push the envelope on use of various measures to create affordable housing opportunities. This prevented the lowest achievers from influencing the standard for the next cycle.

The housing goals also include an adjustment that accounts for the jurisdictions' ability to use additional measures (financial or regulatory) or simply devote more energy to creating affordable housing opportunities. This adjustment is warranted because of the requirement that the "maximum number of low income housing opportunities" be identified for each jurisdiction.

<u>Question 3</u>: *In reference to the Performance Standards shown on Table 6, Appendix IV, the last page of this report:*

a. Why were the jurisdictions grouped by size and the distinction made between those with and without redevelopment agencies, and

b. Why is there a wide variation in the performance standards among the jurisdictions, with large jurisdictions having a lower ratio?

Answer: Appendix IV and Table 6 provide insight on the derivation of the "performance standard" which is the greatest determinant of a jurisdiction's affordable housing goal for the 1999-2004 housing element cycle. This performance standard is applied against a jurisdiction's total housing units as the first step in determining its affordable housing goal.

a. Groupings of the Jurisdictions

The committee decided the best approach to devising the affordable housing goals for 1999-2004 was to create a generalized performance standard ratio. This required a methodology that grouped the 19 jurisdictions' past performance data.

One alternative was to generate a performance standard ratio using data from all the jurisdictions taken as one large group. This would have meant taking the top performers and letting the averaging process (described elsewhere) generate a single performance standard for all jurisdictions. The frailty of this approach was that it did not account for the different capability of each jurisdiction to create affordable housing. The alternative was to categorize the jurisdictions into groups with some common characteristics.

Categorizing the jurisdictions into distinct groups was problematic because of the many variables that contribute to a jurisdiction's ability to create affordable housing opportunities. These include: vacant land, land cost, growth and redevelopment potential, staff expertise, and funding sources available.

To recognize all the unique attributes would mean dealing with each jurisdiction individually, which would not implement the desire for a generalized approach. Therefore the committee identified one primary characteristic that had a relationship to the ability to generate affordable housing opportunities, that is jurisdiction size based on the total number of housing units. Jurisdiction size is relevant to creating housing opportunity because jurisdictions of common size have similar opportunities to: fund the staffing expertise, compete for financial resources and leverage their new growth or redevelopment opportunities. Based on this observation, the jurisdictions were grouped by those with more than 40,000 units, those with 25,000 to 40,000 units and those with fewer than 25,000 units. The jurisdictions with fewer than 25,000 units were then further divided into those which have a redevelopment agency and those without or with an under-performing redevelopment agency. This was done to reflect the considerable performance differential between those small cities with and without redevelopment agencies.

A different approach was taken with the County of San Diego to recognize its unique characteristics including its size, rural character, underperforming redevelopment agencies, and use of housing funds within city boundaries. Because of these unique characteristics the County was placed in a category of its own.

The committee members recognized that any grouping used in this methodology risks being insensitive to the many differences among the jurisdictions placed within a group. At the same time, however, the recommended groupings are an effective and fair way to account for at least the major variable of capabilities linked to jurisdiction size. It is an imperfect but reasonable solution.

b. Variations in the Performance Standards

The performance standard is a ratio applied against the total number of housing units in a jurisdiction. The result of this calculation is the first step and the most substantive step in calculating the 1999-2004 affordable housing goals.

Because the ratio is applied against the total number of housing units, the affordable housing goals are much higher for larger jurisdictions than smaller ones, even though the actual performance standard ratio may be lower. This is the real pattern of the relationship between performance and jurisdiction size as established by the 19 jurisdictions in the San Diego region. Using these past performance data as an indicator for future performance is consistent with AB 1715's intent to be reality based in setting affordable housing goals.

APPENDIX I

Copy of Assembly Bill 1715

Appendix I

COPY OF ASSEMBLY BILL 1715

65585.1. of the Government Code

(a) The San Diego Association of Governments (SANDAG), if it approves a resolution agreeing to participate in the self-certification process, and in consultation with the cities and county within its jurisdiction, its housing element advisory committee, and the department, shall work with a qualified consultant to determine the maximum number of housing units that can be constructed, acquired, rehabilitated, and preserved as defined in paragraph (11) of subdivision (e) of Section 33334.2 of the Health and Safety Code, and the maximum number of units or households that can be provided with rental or ownership assistance, by each jurisdiction during the third and fourth housing element cycles to meet the existing and future housing needs for low and very low income households as defined in Sections 50079.5, 50093, and 50105 of the Health and Safety Code, and extremely low income households.

The methodology for determining the maximum number of housing units that can be provided shall include a recognition of financial resources and regulatory measures that local jurisdictions can use to provide additional affordable lower income housing. This process is intended to identify the available resources that can be used to determine the maximum number of housing units each jurisdiction can provide. The process acknowledges that the need to produce housing for low, very low, and extremely low income households may exceed available resources. The department and SANDAG, with input from its housing element advisory committee, the consultant, and local jurisdictions, shall agree upon definitions for extremely low income households and their affordable housing costs, the methodology for the determination of the maximum number of housing units and the number each jurisdiction can produce at least one year before the due date of each housing element revision, pursuant to paragraph (3) of subdivision (e) of Section 65588. If SANDAG fails to approve a resolution agreeing to participate in this pilot program, or SANDAG and the department fail to agree upon the methodology by which the maximum number of housing units is determined, then local jurisdictions may not self-certify pursuant this section.

(1) The "housing element advisory committee" should include representatives of the local jurisdictions, nonprofit affordable housing development corporations and affordable housing advocates, and representatives of the for-profit building, real estate and banking industries.
(2) The determination of the "maximum number of housing units" that the jurisdiction can provide assumes that the needs for low, very low, and extremely low income households, including those with special housing needs, will be met in approximate proportion to their representation in the region's population.

(3) A "qualified consultant" for the purposes of this section means an expert in the identification of financial resources and regulatory measures for the provision of affordable housing for lower income households.

(b) A city or county within the jurisdiction of the San Diego Association of Governments that elects not to self-certify, or is ineligible to do so, shall submit its housing element or amendment to the department, pursuant to Section 65585.

(c) A city or county within the jurisdiction of the San Diego Association of Governments that elects to self-certify shall submit a self-certification of compliance to the department with its adopted housing element or amendment. In order to be eligible to self-certify, the legislative body, after holding a public hearing, shall make findings, based on substantial evidence, that it has met the following criteria for self-certification:

(1) The jurisdiction's adopted housing element or amendment substantially complies with the provisions of this article, including addressing the needs of all income levels.

(2) For the third housing element revision, pursuant to Section 65588, the jurisdiction met its fair share of the regional housing needs for the second housing element revision cycle, as determined by the San Diego Association of Governments. In determining whether a jurisdiction has met its fair share, the jurisdiction may count each additional lower income household provided with affordable housing costs. Affordable housing costs are defined in Section 6918 for renters, and in Section 6925 for purchasers, of Title 25 of the California Code of Regulations, and in Sections 50052.5 and 50053 of the Health and Safety Code, or by the applicable funding source or program.

(3) For subsequent housing element revisions, pursuant to Section 65588, the jurisdiction has provided the maximum number of housing units as determined pursuant to subdivision (a), within the previous planning period.

(A) The additional units provided at affordable housing costs as defined in paragraph (2) in satisfaction of a jurisdiction's maximum number of housing units shall be provided by one or more of the following means:

(i) New construction.

(ii) Acquisition.

(iii) Rehabilitation.

(iv) Rental or ownership assistance.

(v) Preservation of the availability to lower income households of affordable housing units in developments which are assisted, subsidized, or restricted by a public entity and which are threatened with imminent conversion to market rate housing.

(B) The additional affordable units shall be provided in approximate proportion to the needs defined in paragraph (2) of subdivision (a).

(4) The city or county provides a statement regarding how its adopted housing element or amendment addresses the dispersion of lower income housing within its jurisdiction, documenting that additional affordable housing opportunities will not be developed only in areas where concentrations of lower income households already exist, taking into account the availability of necessary public facilities and infrastructure.

(5) No local government actions or policies prevent the development of the identified sites pursuant to Section 65583, or accommodation of the jurisdiction's share of the total regional housing need, pursuant to Section 65584.

(d) When a city or county within the jurisdiction of the San Diego Association of Governments duly adopts a self-certification of compliance with its adopted housing element or amendment pursuant to subdivision (c), all of the following shall apply:

(1) Section 65585 shall not apply to the city or county.

(2) In any challenge of a local jurisdiction's self-certification, the court's review shall be limited to determining whether the self-certification is accurate and complete as to the criteria for self-certification. Where there has not been a successful challenge of the self-certification, there shall be a rebuttable presumption of the validity of the housing element or amendment.

(3) Within six months after the completion of the revision of all housing elements in the region, the council of governments, with input from the cities and county within its jurisdiction, the housing element advisory committee, and qualified consultant shall report to the Legislature on the use and results of the self-certification process by local governments within its jurisdiction. This report shall contain data for the last planning period regarding the total number of additional affordable housing units provided by income category , the total number of additional newly constructed housing units, and any other information deemed useful by SANDAG in the evaluation of the pilot program.

(e) This section shall become inoperative on June 30, 2009, and as of January 1, 2010, is repealed, unless a later enacted statute, which is enacted before January 1, 2010, deletes or extends that date.

APPENDIX II

Principles and Guidelines for Program Eligibility

Appendix II

PRINCIPLES AND GUIDELINES FOR PROGRAM ELIGIBILITY

The following principles and guidelines were prepared by SANDAG's Housing Element Advisory Committee and approved by SANDAG for use by local jurisdiction staff in determining which programs may be counted towards the affordable housing goals for self-certification of their housing elements. A list of examples of the programs that count or do not count is also included. The list is not exclusive. These principles and guidelines are for use for both the 1991-1999 and 1999-2004 housing element cycles.

The principles and guidelines recognize a variety of types of housing programs and opportunities that jurisdictions can provide to assist low, very low, or extremely low (also referred to as low) income households. Assessing progress towards meeting the affordable housing goals for self-certification is the responsibility of each jurisdiction, as is the self-certification process. These principles and guidelines, and the list of program examples are to be used by jurisdictions in determining whether they have met their affordable housing goals during the previous housing element cycle, and reflect the requirements of subdivision (c)(3) of Section 65585.1 of the Health and Safety Code. State law only allows jurisdictions to "count each additional lower income household provided with affordable housing costs."

Principles

1. Jurisdictions may count each additional affordable housing opportunity provided for low income households towards their affordable housing goals for the applicable housing element cycle, in accordance with the Credit System for Measuring Performance.
2. Flexibility is provided to local jurisdictions in how they meet their affordable housing needs. Credit may be claimed for: new construction, acquisition, rehabilitation, rental or ownership assistance and preservation of the availability to lower income households of affordable housing units which are assisted, subsidized, or restricted by a public entity and are threatened with imminent conversion to market rate housing.
3. Housing opportunities counted must serve only low, very low, or extremely low income households, between 51-80 percent, 31-50 percent or, at below 30 percent of the region’s median income adjusted for household size, respectively.
4. Measures must be in place to assure that the units counted remain affordable.
5. Local jurisdiction administrative burdens related to self-certification should be minimized.

Guidelines

1. "Affordable housing costs are defined in Section 6918 for renters, and in Section 6920 for purchasers, of Title 25 of the California Code of Regulations, and in Sections 50052.5 and 50053 of the Health and Safety Code, or by the applicable funding source or program." (Section 65585.1(c)(2) of the Health and Safety Code) For extremely low income households, the definition of affordable housing costs is 30 percent of 30 percent of area median income adjusted for household size.

   For renters assisted using local regulatory measures, and local homeownership assistance or owner-occupied rehabilitation programs, housing costs for low income households shall not exceed 30 percent of 80 percent of area median income adjusted for household size. For renters assisted with rent subsidies or units provided with an ongoing subsidy to the property owner, affordability is defined in Section 6918 of Title 25 of the California Code of Regulations and Section 50053 of the California Health and Safety code. (All other types of subsidy are considered regulatory in nature.)

   For homeownership assistance such as the federal HOME program and mortgage credit certificates, the program regulations capping the cost of the dwelling unit and/or the lender's loan underwriting standards define affordability.

2. For homebuyer programs, the sales price of the unit should not exceed three times the household income.

3. Occupancy of new units, or certificates of inspection or affordability of existing units began during the housing element cycle.

4. Units should be counted not households. Households may be counted for shared housing programs, transitional housing and group homes (when the capacity of the unit is more than one household), and rental subsidy programs.

5. For group homes and transitional housing, a jurisdiction should determine the capacity of the dwelling unit by assessing the typical number of households occupying the dwelling, but in no case shall the number of households credited exceed the number of bedrooms.

6. Rental units shall be income and affordability restricted for at least five years.

7. Any program that extends affordability only counts when the extension will impose income and affordability restrictions for at least an additional 30 years unless specified by federal or state funding sources.

8. Second dwelling units shall count only if the units are rented at an affordable housing cost to a low income household.

9. Owner-occupied rehabilitation shall count only if the household assisted is low income, the rehabilitation done is substantial (i.e., a substandard unit is made standard), and the household is paying affordable housing costs or the rehabilitation results in an increase in affordability.

10. Only the net increase in households assisted through rental assistance or mobile home rent programs may be counted.

11. For homebuyer programs, affordability and income eligibility shall be verified at time of sale; however, covenants are not required to assure ongoing income eligibility and affordability provided program funds are recycled.

12. Transitional housing opportunities should be counted based on the household capacity of the dwelling unit.

13. Credit for programs/units may be shared on a voluntary basis if there is joint participation and agreement.

14. For the 5 year housing element cycle, only the net increase in low, very low, and extremely low income households paying affordable housing costs who are placed in shared housing may be counted. The number of shared households assisted for the 5 year cycle would be calculated as follows: Total number of low income households assisted (expressed in total number of months of assistance) divided by 60 months.

Examples of Programs that Count*	Examples of Programs that Do Not Count***
1. Units funded by State Mobile Home Resident Owner program 2. Inclusionary and density bonus units 3. Conversion from commercial/industrial to residential 4. Units funded with tax credits 5. Transitional housing opportunities in a permanent dwelling unit (includes opportunities for persons with special needs) 6. 236 and 221(d)(3) units that have received extended affordability 7. Farmworker housing 8. Section 202 – new rental housing 9. Rent subsidy programs including new competitively funded federal rental assistance** 10. Rental rehabilitation/ acquisition with rent restriction 11. Second dwelling units/illegal unit conversion 12. Mobile home rent programs 13. Single room occupancy units (SROs) 14. Housing bonds/refinance 15. First-time homebuyer programs 16. Mortgage credit certificates 17. Shared housing operated by a non-profit and funded by a jurisdiction 18. Owner-occupied rehabilitation of substandard units * Jurisdictions should refer to the principles and guidelines to determine whether a particular program should be counted. ** The net increase in Section 8 certificates and vouchers may be counted during the 1991-99 housing element cycle. For the 1999-2004 cycle, only new competitively funded federal rental assistance may count.	1. Inclement weather shelter facilities 2. Market rate units unless affordability is guaranteed and occupants are income eligible 3. Rental rehabilitation without rent restrictions 4. FEMA shelter vouchers 5. Cosmetic rehabilitation and fix-up/paint programs 6. Dormitory style housing facilities and nursing homes *** Though these programs do not count towards the affordable housing goals for self-certification, they are recognized as programs that address important housing needs.

APPENDIX III

Affordable Housing Goal Methodology
Housing Element Self-Certification in 2004

Calculating a Jurisdiction's Affordable Housing Goal

Credit System for Measuring Performance

Principles and Guidelines for Program Eligibility

Appendix III

AFFORDABLE HOUSING GOAL METHODOLOGY HOUSING ELEMENT SELF-CERTIFICATION IN 2004

Introduction

AB 1715 gives San Diego jurisdictions the option of self-certifying their housing elements. One key criterion is whether the jurisdiction has met its affordable housing goal for the subject housing element cycle.

To establish affordable housing goals for the 1999-2004 housing element cycle, AB 1715 required SANDAG to hire a consultant to evaluate the financial resources and regulatory measures available at this future date and to recommend the methodology to determine the affordable housing goals. The Housing Element Advisory Committee (committee), consultant and SANDAG staff worked closely together to develop this methodology.

The Affordable Housing Goal Methodology for the 1999 - 2004 housing element cycle has 3 components:

1. The calculation of affordable housing goals by jurisdiction for 1999-2004 cycle
2. A credit system for counting the housing opportunities/units created in the next housing element cycle.
3. Principles/guidelines for determining program/project eligibility (described in Appendix II).

Each of these components is explained in more detail below.

AB 1715 has precipitated a new vocabulary. The definition of a few of these terms follows to assist your understanding of the descriptions that follow.

<u>Affordable Housing Goal Methodology</u>: The methodology that jurisdictions will follow to determine if they have complied with Criterion 3 for purposes of self-certification in 2004. It includes: 1) the maximum number of low income housing opportunities (affordable housing goals) for the next housing element cycle, 2) a credit system and 3) principles/guidelines for program/project eligibility.

<u>Performance Standard</u>: The ratio used in Step 1 (described below) in the determination of the affordable housing goal for each jurisdiction.

Proportionality: AB 1715 requires the affordable housing goals to be met in approximate proportion to the needs of low, very low and extremely low income households in the regional population. These proportions expressed as a percentage of total low income households are: 41% low, 32% very low and 27% extremely low.

Calculating A Jurisdiction's Affordable Housing Goal

Overview

Determining the 1999-2004 affordable housing goal began with an evaluation of existing housing performance data. The 1991-1996 housing performance data were chosen because they were reasonable indicators (with some modification and analysis) of the future capability of San Diego jurisdictions to produce affordable housing. Details on the use of these 1991-96 housing performance data are presented in Appendix IV.

To account for the differences between housing programs and resources this cycle and the next housing element cycle, other factors were included in the methodology that generated the affordable housing goals. These relate to unencumbered redevelopment funds and a the need to assure the affordable housing goal is the "maximum" number of housing opportunities (as required by AB 1715) a jurisdiction can create during the next cycle.

Steps in the Calculation

The final calculation of a jurisdiction's actual 1999-2004 affordable housing goal will be done in 2004 when the California Department of Finance estimate of total housing units is available for each jurisdiction. In the absence of these data, the preliminary affordable housing goal is calculated using data from the Series 8 Interim Regional Growth Forecast. These preliminary calculations are presented in Table 3.

In 2004, as well as for illustrative purposes now, the specific steps to calculate a jurisdiction’s 1999-2004 affordable housing goal are:

1. Apply the performance standard to each jurisdiction's estimated year 2004 total housing units. To determine the preliminary goal for use in the 1999-2004 housing elements, use the Series 8 forecast for 2004, but in calculating the actual affordable housing goal, use the Department of Finance estimates for January 1, 2004.
2. Apply the 10% regulatory measure factor
3. Add in the unencumbered redevelopment "housing set-aside" funds factor
4. Determine affordable housing goal and its proportionality (as required by AB 1715)

Each of these steps is discussed below.

Step 1: Apply the Performance Standard to Each Jurisdiction's Estimated Year 2004 Total Housing Units

Step 1 is the application of each jurisdiction's performance standard to the total number of housing units (expressed in 1,000s) estimated by the Department of Finance (DOF) as of January 1, 2004. These estimates will be available by May 2004.

For planning purposes this performance standard is applied to the Series 8 2004 housing unit forecast for each jurisdiction. Refer to Table 3 for the performance standard for each jurisdiction and the estimated results of Step 1.

Using the DOF estimates for 2004 in the ultimate calculation rather than the forecast is advantageous for two reasons:

1. The DOF numbers represent the realities of growth which may vary from the forecast.
2. The DOF numbers account for jurisdiction boundary changes (annexations), which could substantially alter the total number of housing units in a jurisdiction.

More details on the derivation of the performance standards and generation of the affordable housing goals are presented in Appendix IV.

Step 2: Apply the Regulatory Measures Factor

This factor accounts for the State Department of Housing and Community Development concern that the methodology did not identify the "maximum" number of housing opportunities each jurisdiction could provide and did not account for the full spectrum of available regulatory measures.

This factor is implemented by increasing the results of Step 1 by 10%.

Step 3: Add in the Unencumbered Redevelopment Funds Factor

This factor accounts for the housing opportunities (if any) that may result from unencumbered redevelopment "set-aside" funds available at the end of the 1991-1999 housing element cycle.

Using the information for the fiscal year ending in 1999, take the jurisdiction's unencumbered[2] affordable housing fund less 1.5 times its latest annual "set aside."[3] Divide this number by $25,000. This product is the number of additional low-income housing opportunities required of the jurisdiction and is added to the number of low income housing opportunities yielded in Steps 1 & 2.

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[2] *Section 3333.4.12 of CA Redevelopment Law defines "encumbered funds" as moneys that are committed pursuant to a legally enforceable contract or agreement for expenditure for purposes specified in Section 33334.2 or 33334.3.*

[3] *State law requires at least 20 % of the annual tax increment to be set aside for affordable housing. Health & Safety Code Sections 33334.2(a), 33334.3(a) & 33334.6(c) and 76 CA.AttyGen 137). In some cases litigation has resulted in a larger set aside.*

For purposes of this report, jurisdictions provided estimates of their unencumbered affordable housing fund for the fiscal year ending in 1998. This enabled the calculation of each jurisdiction's estimated 1999-2004 affordable housing goals shown in Table 2 in the main body of this report.

Table 3
Performance Standards and Preliminary Step 1 Results

Jurisdiction	(1) Performance Standard (Per 1000 dwelling units)	(2) Series 8 [4] Housing Unit 2004 Forecast	(3) Preliminary Step 1 Results (col. 1 x col. 2) (# of Housing Opportunities)
Carlsbad	14.55	38,715	563
Chula Vista	13.61	68,671	935
Coronado	17.62	9,820	173
Del Mar	7.22	2,577	19
El Cajon	14.55	35,152	511
Encinitas	7.22	24,035	174
Escondido	13.61	50,429	686
Imperial Beach	7.22	10,419	75
La Mesa	14.55	25,028	364
Lemon Grove	17.62	9,504	167
National City	17.62	16,174	285
Oceanside	13.61	63,012	858
Poway	17.62	15,815	279
San Diego	13.61	504,014	6,860
San Marcos	17.62	26,382	465
Santee	17.62	20,894	368
Solana Beach	7.22	6,473	47
Vista	14.55	31,883	464
County Unincorporated	9.67	175,521 total	1,697
		1,134,518	**14,990**

[4] *The Series 8 Regional Growth Forecast was adjusted to the 1995 County Planning Area boundaries. This placed the recently annexed Otay Ranch within the boundaries of Chula Vista.*

Step 4: Determine Proportionality of the Affordable Housing Goals

AB 1715 requires the affordable housing opportunities for the 1999-2004 housing element cycle to be provided in approximate proportion to the needs defined in paragraph 2 of Section 65585.1(a). This section states: The determination of the "maximum number of housing units" that the jurisdiction can provide assumes that the needs for low, very low, and extremely low income households, including those with special housing needs, will be met in approximate proportion to their representation in the region's population.

Based on 1990 Census data, this means the beneficiaries of a jurisdiction's affordable housing opportunities in 2004 must be approximately 41% low income, 32% very low income, and 27% extremely low income households.

Jurisdictions are in compliance if they provide more than the required percentage of their total in extremely low or very low income housing opportunities. For example a jurisdiction could meet its performance requirements with housing opportunities as follows: 1/2 extremely low, 1/4 very low and 1/4 low. In this case the jurisdiction would have created significantly beneficial housing opportunities for the difficult-to-serve extremely low income households, yet may be out of compliance with a literal interpretation of the proportionality requirement.

The following rule is meant to assure that the proportionality requirement is appropriately implemented and does not penalize jurisdictions that provide a higher proportion of extremely or very low income housing opportunities:

A jurisdiction will be considered in compliance with AB 1715's proportionality requirement if excess housing opportunities are created at the extremely low or very low income levels as follows: at least 27% of the housing opportunities benefit extremely low income households and at least 59% of the housing opportunities benefit extremely low or very low income households.

Credit System For Measuring Performance

Certain types of affordable housing opportunities are more difficult to accomplish due to the political sensitivity or expertise needed to undertake them. Giving more credit to these more difficult housing opportunities may encourage jurisdictions to expend the required extra effort. The credit system for measuring the provision of affordable housing opportunities during the next housing element cycle (1999-2004) is described below.

This system is not applicable to the self-certification process for the 1991-99 housing element cycle

Categories

The credit system has 5 categories of housing programs and projects. Category 1 programs/projects are the hardest to accomplish due to political sensitivity and effort to accomplish; Category 5 programs/projects are generally easier to accomplish, politically and administratively.

Projects/programs identified below can only be counted if they follow the eligibility principles and guidelines recommended by the committee and comply with the affordability and income eligibility requirements of AB 1715.

Category One Programs/Units

1. New construction of rental units by a public or non-profit agency, including multi-family units for special populations such as farm worker housing. When a newly constructed project has a mix of market rate and low income units, at least 49% of the units must be for households with low, very low or extremely low income.
2. Transitional housing, permanent homeless housing, AIDS, alcohol/drug rehabilitation or other special needs housing.

Category Two Programs/Units

1. Acquisition or acquisition and rehabilitation of rental units excluding extended affordability "at risk" projects such as Section 236, 221(d)(3) units. If investor/private party acquisition, a 30 year covenant guaranteeing affordability is obtained.
2. New or converted limited equity coops, condominium and similar multi-family ownership projects (does not include individual home sales).
3. New construction of rental units with a mix of market rate and low income units where fewer than 49% of the units are for households with low, very low or extremely low incomes.
4. New construction of senior citizens projects
5. Mobile home conversions with guaranteed long-term affordability through deed restriction or jurisdiction ownership of park.
6. Second units

Category Three Programs/Units

1. Investor/private party acquisition or acquisition and rehabilitation of rental units if less than a 30 year covenant guaranteeing affordability is obtained.
2. Extended affordability of "at risk" projects such as Section 236, 221(d)(3) units.
3. Units funded by State Mobile Home Resident Owner program, and other mobile home purchase or ownership programs(s) (no deed restriction)
4. Lease covenant and similar long term affordability covenants where a private owner is compensated for imposing a deed restriction.

5. Loan programs for private owners to rehabilitate rental units.
6. Homebuyer programs including those resulting from inclusionary, in lieu fees, 203(k) funded projects or first time homebuyer subsidies.
7. Locally funded rental assistance (certificates or vouchers).

Category Four Programs/Units

1. Mobile home rent programs.
2. New federally funded rental assistance realized through a competitive process between 1999 and 2004. Portable rental assistance certificates where beneficiaries have simply moved from one jurisdiction to another do not count.

Category Five Programs/Units

1. Shared housing programs operated by non-profit agencies funded by the subject jurisdiction.
2. Rehabilitation of owner-occupied homes.

Guidance for Counting Other Projects

The listing above attempts to be inclusive of the many types of programs that create affordable, low income housing opportunities. If a new program becomes available, jurisdictions will make their best judgment as to which category appears appropriate. As a general rule, no new program would likely qualify for Category 1 or 2. These two categories are the most tightly defined and the most administratively and politically difficult to accomplish.

Credit Received

The credit system shown on Table 4 will be used to calculate the credit a jurisdiction receives towards meeting its affordable housing goal (Criterion 3 of AB 1715) in the next housing element cycle (1999-2004). This credit system has no application to the 1991-99 housing element cycle.

Bonus Credit

The committee recognizes the difficulty in building new low income housing or special needs housing in high income areas. Therefore, a .05 bonus credit for each Category 1 housing opportunity created in a census tract with a median income exceeding 120% of that jurisdiction's median income.

Table 4
Credit System for Housing Element Cycle - 1999 to 2004

Category	Base Credit (applied to all units)	Extra Credit				
		Length of Affordability (applied to all units)		Number of Bedrooms (only applied to the subject unit)		
		30-54 yrs	55 or more	3	4	5
Category 1 All Programs	1.1	0.05	0.1	0.5	1.0	1.5
Category 2 All Programs	1.05	0.05	0.1	0.5 [5]	1.0 [5]	1.5 [5]
Category 2 Acquisition/Rehab				0.05 [6]	0.15 [6]	0.2 [6]
Category 3 All Programs	1.0	0.05	0.1	0.5 [5]	1.0 [5]	1.5 [5]
Category 4 All Programs	0.95	0.05	0.1			
Category 5 All Programs	0.9	0.05	0.1			

[5] *This extra credit is only given for newly constructed units, those units where rehabilitation increases the number of bedrooms in the subject unit, or if non-residential buildings are converted to residential*

[6] *This extra credit applies to existing units with the specified number of bedrooms which are part of projects defined in item 1 under Category 2 which reads:*

"Acquisition or acquisition and rehabilitation of rental units excluding extended affordability "at risk" projects such as Section 236, 221(d)(3) units. If investor/private party acquisition, a 30 year covenant guaranteeing affordability is obtained."

Refer to the preceding "Category 2 All Programs" row for the base credit and credit if the number of bedrooms in a unit is increased.

APPENDIX IV

Use of the 1991-96 Housing Performance Data to Generate Affordable Housing Goals for 1999-2004

Appendix IV

USE OF THE 1991- 96 HOUSING PERFORMANCE DATA TO GENERATE AFFORDABLE HOUSING GOALS FOR 1999-2004

Introduction

The cornerstone of the 1999-2004 affordable housing goals is the performance standard (refer to both Table 3 and Table 6). These performance standards come into play in Step 1 of the Affordable Housing Goal Methodology described in the preceding Appendix III. In Step 1 of the process to calculate the affordable housing goal, the relevant performance standard is applied against each jurisdiction's 2004 housing unit estimate.

Because of the importance of the performance standard in setting each jurisdiction's 1999-2004 affordable housing goal, this appendix explains how these performance standards were generated.

Overview

In concept, the consultant and committee evaluated data that are good indicators of a jurisdiction's ability to create affordable housing opportunities. Baseline ratios were derived from these data and adjustments were made to account for the differences between this cycle and next cycle; after many iterations of calculations, the performance standards emerged.

Capturing the 20 month give-and-take process that occurred during the Housing Element Advisory Committee meetings is difficult. The descriptions below present the highlights of this process, however a thorough understanding may be more easily achieved in a workshop setting. Jurisdictions or organizations interested in a detailed explanation may request SANDAG staff assistance with such a workshop.

Deriving the Performance Standard

The performance standards were calculated using the 1991-96 housing performance data submitted by jurisdictions to SANDAG. However, the workshop results (described below) factored in qualitatively. The committee and consultant often referred back to these workshop results to assess the reasonableness of the emerging affordable housing goals.

In working with the 1991-96 housing performance data, the committee and consultant focused on the achievements of the top performers. The reasoning was that these top performing jurisdictions used financial resources, regulatory measures and their creative staff energies to achieve what may be considered the "maximum" number of affordable housing opportunities that can reasonably be created.

The committee's approach to the performance standards was to:

1. Generate baseline ratios using housing performance data;
2. Assess adjustments needed to account for differences between this cycle and the next housing element cycle; and
3. Work with these ratios and adjustments to shift the focus from individual jurisdictions to a set of generalized standards.

Each of these steps is discussed below.

Generating the Baseline Ratios

The approach generates baseline ratios derived from existing data sources. The chosen data sources are reasonable indicators of a jurisdiction's ability to create additional low, very low and extremely low income housing opportunities.

The data sources are the 1991-1996 housing performance data[7] and the simulated workshop (future cycle) data. The 1991-1996 data have the advantage of being linked to the reality of current financial resources and regulatory measures, and the workshop simulations have the advantage of reflecting the future theoretical resources/regulatory measures.

The ratios have two components. The numerator represents housing opportunities created and the denominator is the total number of housing units (in 1000's).

Baseline Ratio Numerator: Workshop Results

Committee members and other interested persons participated in a workshop on November 21, 1996. Participants were assigned to four different groups and given information on a simulated jurisdiction that had composite characteristics similar to those of area jurisdictions. Their assignment was to decide how financial resources and regulatory measures could be used to generate affordable housing opportunities.

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[7] In June/July 1997 each jurisdiction reported its affordable housing opportunity performance for 1991-1996 in the context of its fair share goals. This information was reported in the July 25, 1997 update of the Housing Needs Performance Report. Following the distribution of that report several jurisdictions updated their performance data and SANDAG revised some of the Section 8 numbers based on information from the County. The data used to derive the performance standards is based on information available as of June 5, 1998.

The simulated jurisdictions used in this workshop were carefully crafted to represent the reality of funding, programs and growth in the next housing element cycle. The groups' deliberations on use of these resources replicated the give and take of governmental decision making. Therefore the workshop results may be seen as a credible simulation of a jurisdiction's ability to create housing opportunities during the next housing element cycle.

These workshop results may, however, have limitations as indicators of future housing performance because each workshop group felt they may have undercounted and over-counted housing opportunities. The undercounting may also have resulted from lack of time to fully consider such programs as shared housing. Over-counting may also have resulted because what theoretically may be done is not the same as what actually can be done within a given 5 year period. Overall the undercounting may balance the over-counting.

Table 5
Summary of Workshop Results

Jurisdiction	Jurisdiction Size at the end of the Housing Element Cycle	Opportunities Created in the Workshop	Ratio
Shaffer Valley	44,500 Housing Units	780	17.5 Affordable Opportunities per 1000 Housing Units
Shaffer Valley	44,500 Housing Units	750	16.90 Affordable Opportunities per 1000 Housing Units
Susan City	20,400 Housing Units	588	28.8 Affordable Opportunities per 1000 Housing Units
Sulzerville	10,190 Housing Units	141	13.8 Affordable Opportunities per 1000 Housing Units

Baseline Ratio Numerator: Housing Needs Performance Reports 1991-1996

Use of the data reported by the jurisdictions as part of SANDAG's Housing Needs Performance Report reflects the realities of the region's 19 jurisdictions' ability to create affordable housing opportunities in the past. These data do not account for future changes in programs and funding constraints or availability.

Baseline Ratio Denominator

The choice of the denominator is important because it not only functions as the baseline ratio's denominator but it will also be the factor against which the performance standard is multiplied to generate the affordable housing goals for 2004. Total housing units in a jurisdiction was chosen because it was common to both housing performance data sources used to generate the baseline ratios. More importantly, when the performance standard is multiplied against a jurisdiction's total 2004 housing units, it by definition incorporates a housing growth factor and gauges the affordable housing goal to a jurisdiction's size.

Baseline Ratios

Baseline ratios were derived using the data sources described above. These baseline ratios are presented in:

1. Table 5: Summary of the Workshop Results
2. Table 6: Deriving a Performance Standard (Step 1) Using the Housing Performance Report

The committee chose to work with the baseline ratios in Table 6 to derive a performance standard to use in the affordable housing goal methodology. The workshop results were considered as background information and were not directly used in the methodology.

Making Needed Adjustments to the Housing Performance Data

The preceding discussion on the generation of baseline ratios demonstrated the importance of the past performance data in determining future affordable housing goals. This section will describe how these 1991-96 housing performance data were adjusted to account for the differences between the current housing element cycle and the future cycle.

There were two major adjustments to the jurisdictions' housing performance reports:

1. Deleting 90% of the Department of Housing and Urban Development (HUD) Section 8 performance data, and
2. Calibrating the data to account for the required proportionality.[8]

Each of these is described below.

Section 8 Adjustments

In the past, HUD Section 8 rental assistance was mostly distributed to jurisdictions based on a federal formula. For some jurisdictions between 1991-1996, Section 8 federal rental assistance constituted more than 50% of their housing performance.

In the next housing element cycle this level of Section 8 activity will be significantly reduced. For this reason, 90% of the Section 8 housing opportunities created in 1991-96 were deleted in calculating the affordable housing goal (performance standard) for 1999-2004.

A comparable adjustment was made in the credit system portion of the methodology. Jurisdictions will only be able to count those federal rental assistance programs earned through a competitive application process. Any rental assistance given to a jurisdiction based on a generalized federal formula will not count in the 1999-2004 cycle.

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[8] AB 1715 requires the affordable housing goal to be met in approximate proportion to the needs of low, very low, and extremely low income households in the regional population. These proportions expressed as a percentage of toal income households are 41% low, 32% very low, and 27% extremely low.

This adjustment for the 1999-2004 cycle in no way effects the current cycle; jurisdictions can still count all their Section 8 rental assistance towards their fair share goal for 1991-1999 housing element cycle.

Proportionality Calibration

In the current housing element cycle, jurisdictions are producing affordable housing without any particular goals in terms of the proportion of low, very low and extremely low income households served. In the 1999-2004 housing element cycle, those jurisdictions choosing self-certification must meet their affordable housing goals in approximately these proportions: 41% low, 32% very low and 27% extremely low income households. These percentages implement the following specific clause in AB 1715:

> *The determination of the "maximum number of housing units" that the jurisdiction can provide assumes that the needs for low, very low, and extremely low income households, including those with special housing needs will be met in approximate proportion to their representation in the region's population.*

In considering past performance as a template for the future affordable housing goal, a mathematical adjustment was made to each jurisdiction's 1991-96 performance data to replicate the proportionality requirements for the next housing element cycle. In practice, for example, more resources are consumed to reach extremely low income households than are required to reach very low income households.

This mathematical adjustment related to proportionality is described in Appendix V.

This proportionality requirement and adjustment only applies to the 1999-2004 cycle. It has no relevance to the 1991-99 housing element cycle.

Generating the Performance Standard

Table 6 groups jurisdictions by size and then ranks them in ascending order by their baseline ratio of performance (housing performance in 1991-96 over the number of housing units as of January 1, 1997 expressed in 1000's). Using these data, the committee considered how to derive a generalized performance standard that could be used to calculate the 1999-2004 affordable housing goals.

The committee decided to rely on data from the top 4 performers in each grouping as a means of setting a performance standard ratio. The top performers typically exhibited good use of both the financial and regulatory resources available to provide affordable housing opportunities. Therefore averaging these higher performers in the baseline ratio by definition accounts for the AB 1715 requirement to include "use of available regulatory measures" in determining the affordable housing goal.

Table 6
Deriving a Performance Standard (Step 1)
Using Housing Performance Reports (Calibrated Numbers)[9]

(1) Jurisdictions with 40,000 or more units (Housing Units as of 1/1/97)	(2) Baseline Ratios Housing Performance for 1991-1996 [10]/ Housing Units as of January 1, 1997 [11]	(3) Averages	(4) Performance Standard [12]
1. Escondido (44,254)	20.4 / 1000	Average ratio using top 3 jurisdictions: 15.22	13.61 Affordable Low Income Housing Opportunities per 1000 Housing Units
2. Chula Vista (55,258)	14.42 / 1000		
3. Oceanside (56,567)	10.84 / 1000	Average ratio dropping top performer, average next 3: 12.00	
4. City of San Diego (457,231)	10.74 / 1000		
Jurisdictions with 25,000 to 39,000 units			
5. Carlsbad (29,940)	13.59 / 1000	Average ratio using top 3 jurisdictions: 14.92	14.55 Affordable Low Income Housing Opportunities per 1000 Housing Units
6. Vista (29,184)	15.69 / 1000		
7. El Cajon (34,838)	15.47 / 1000	Average ratio dropping top performer, average next 3: 14.17	
8. La Mesa (24,828)	13.45 / 1000		
Jurisdictions with less than 25,000 units			
9. Santee (19,046)	26.20 / 1000	Average ratio using top 3 jurisdictions: 20.64	17.62 Affordable Low Income Housing Opportunities per 1000 Housing Units
10. National City (15,485)	21.31 / 1000		
11. San Marcos (17,147)	14.40 / 1000		
12. Lemon Grove (8,792)	8.08 / 1000	Average ratio dropping top performer, average next 3: 14.6	
13. Poway (15,247)	6.17 / 1000		
14. Coronado (9,538)	28.83 / 1000		
Jurisdictions with less than 25,000 units (no redevelopment or under-performing redevelopment area)			
15. Solana Beach (6,441)	12.27 / 1000	Average ratio using top 3 jurisdictions: 7.22	7.22 Affordable Low Income Housing Opportunities per 1000 Housing Units
16. Encinitas (22,709)	5.90 / 1000		
17. Del Mar (2,567)	3.5 / 1000		
18. Imperial Beach (9,867)	3.45 / 1000		
19. County of San Diego (Unincorporated) (147,804 total, 110,853 – 75%)	9.67 / 1000		9.67 Affordable Low Income Housing Opportunities per 1000 Housing Units

[9] The housing performance numbers for each jurisdiction have been calibrated to account for the AB 1715 requirement that the next cycle's performance must approximate the proportion of low, very low and extremely low persons in the regional population. A technical paper on these calculations is part of the appendix and Table 4 in Attachment D.

[10] Low, very low and extremely low income housing opportunities as reported in the July 25, 1997 SANDAG Agenda Report "Housing Needs Performance Report" and as updated on or before June 5, 1998.

[11] Based on State Department of Finance housing unit estimates for January 1, 1997. For the County of San Diego, the performance standard was derived using 75 percent of its January 1, 1997 housing unit estimate. This is an estimate of the number of units in the unincorporated area with sewer service.

[12] The 2 averages in the "Averages" column are averaged to derive the performance standard in this column (with the exception of the jurisdictions with less than 25,000 units and no or an under-performing redevelopment area.)

The performance standard in column 4 of Table 6 is the result of averaging two separate calculations: 1) an average ratio derived from the top three performing jurisdictions, and an average ratio derived by dropping the top performer and averaging the next three.

The approach is slightly different for those jurisdictions with less than 25,000 housing units which have either no redevelopment area or a non-performing redevelopment area. For these jurisdictions the performance standard is derived by averaging the top 3 jurisdictions' baseline ratios. This was done because there were so few jurisdictions in this category and the overall relative low performance of these jurisdictions.

Within the grouping of jurisdictions with less than 25,000 units, there was another adjustment. The city of Coronado was not included as one of the top three jurisdictions in calculating the performance standard. The committee felt that the predominance of military housing in its performance skewed their number and inclusion in the averaging process (which generated the performance standard) would distort the result as it would apply to other jurisdictions. This action is only applicable to generating the performance standard. It does not effect the calculation of the city of Coronado's performance during either housing element cycle.

Also, the County of San Diego was placed in a category of its own to account for its unique characteristics with respect to its rural nature, size, underperforming redevelopment agencies, lack of city services in many areas, and use of some entitlement grants for housing production within city boundaries.

These performance standards were used in Step 1 as illustrated in Table 3 in the main body of this report.

APPENDIX V

Proportionality Calibration Methodology

Appendix V

PROPORTIONALITY CALIBRATION METHODOLOGY

One frailty in using past housing performance data as a prediction of future performance is the difference between the income level requirements of the affordable housing provided. In 1991-96, affordable housing production was addressed in total. In 1999-2004, AB 1715 requires specific proportions for extremely low, very low and low income households. Therefore, this calibration methodology adjusts the past performance data to reflect the required future proportionality.

As indicated in this Housing Element Self-Certification Report, production goals in the current housing element cycle are described in total units produced, not by income level served. In the next cycle (1999-2004), jurisdictions choosing self-certification will need to meet their affordable housing goals by three income levels, based on the following income distribution: 41% low, 32% very low and 27% extremely low income households. These percentages implement the following specific clause in AB 1715:

> *The determination of the "maximum number of housing units" that the jurisdiction can provide assumes that the needs for low, very low, and extremely low income households, including those with special housing needs, will be met in approximate proportion to their representation in the region's population.*

Therefore, historical housing performance data for the 19 jurisdictions must be adjusted to reflect the differences in subsidy requirements for households at these target income levels. This adjustment (or calibration) must be performed prior to establishing the production standard for the next housing element cycle.

This appendix presents a simplified approach to this calibration methodology, and shows the results of applying this calibration methodology to the historical production levels, as reported by the nineteen jurisdictions to SANDAG.

Justification for Calibration of Historical Production Numbers

It is typically more costly for a jurisdiction to produce a housing unit affordable to an extremely low income household (assumed at 30% of median income) than for a very low income household (assumed at 50% of median income). Likewise, it is typically more costly for a jurisdiction to produce a housing unit affordable to a very low income household (assumed at 50% of median income) than for a low income household (assumed at 80% of median income).

Summary of Calibration Methodology

The calibration methodology first looks at historical production levels for each jurisdiction as reported to SANDAG (see Table 7). It then applies an adjustment to each of the jurisdiction's production numbers by income level as follows:

- an extremely low income unit is weighted upward, or given a greater credit, by multiplying the historical production number times 1.4,
- a very low income unit is weighted upward, or given a greater credit, by multiplying the historical production number times 1.0, and
- a low income unit is weighted downward, or given a lesser credit, by multiplying the historical production number times 0.6.

Table 8 summarizes the results of applying these weighting factors (or calibration ratios) to each jurisdiction's production numbers. It also totals the weighted, or calibrated, results for each jurisdiction.

The basis for these weighting factors (or calibration ratios) is shown in Table 9. Table 9 outlines a simple way to adjust for the difference in subsidy burden among income levels based on several key assumptions:

- a jurisdiction does not have to subsidize housing affordable to persons at 100% of median income ($0 in subsidy).
- a jurisdiction will likely have to subsidize housing affordable to persons at 70% of median income and below.
- This subsidy burden is calculated by taking the difference between the annual rent for each different income level and the moderate income level, capitalized at 10% to reflect the long term affordability restriction. The annual rent levels are based on 1997 monthly rents published by the California Tax Credit Allocation Committee which are in turn based on the Department of Housing and Urban Development, December 1996, published rents.
- This subsidy burden is then used to develop a weighting factor or ratio for each income level, rounded to the nearest tenth. The weighting factors are set to equal 3, representing one unit from each income level: extremely low, very low and low income.

Table 10 shows a final adjustment to the adjusted production numbers shown in Table 8 to reflect the desired distribution of housing by income level during the next (1999-2004) cycle. As jurisdictions will be required to produce a greater percentage of extremely low income units during the next cycle, the overall production goal is weighted downward to reflect the more significant subsidy burden required to achieve the desired distribution of units by income level. Table 10 thus presents the adjusted historical performance by jurisdiction used in the final calculations included in this report.

In conclusion, this calibration methodology is a simple way to distill a very complicated subject and is to be used solely for the purposes of developing an understandable, simplified performance standard for the next cycle.

Table 7
Summary Calibrated Housing Performance by Jurisdictions*
1991 - 1996

Jurisdiction	Housing Units by Income Level			Total
	Ext. Low	Very Low	Low	
1. Carlsbad	0	256	218	474
2. Chula Vista	195	302	387	884
3. Coronado	0	123	212	335
4. Del Mar	0	9	0	9
5. El Cajon	317	175	15	507
6. Encinitas	8	48	107	163
7. Escondido	204	156	706	1,066
8. Imperial Beach	1	30	5	36
9. La Mesa	0	167	236	403
10. Lemon Grove	0	19	71	90
11. National City	16	143	237	396
12. Oceanside	0	446	250	696
13. Poway	7	64	34	105
14. San Diego	836	2,290	2,393	5,519
15. San Marcos	47	129	94	270
16. Santee	13	221	369	603
17. Solana Beach	32	44	1	77
18. Vista	192	137	148	477
19. County Unincorporated	133	492	610	1,235
Total	**2,001**	**5,252**	**6,092**	**13,345**

** Includes only 10% of Section 8 rental assistance*

Source: San Diego Association of Governments, June 1998. (See footnotes 7 and 10.)

Table 8
Calibrated Performance by Jurisdictions*
Weighted by Relative Consumption of Resource**
1991 - 1996

Jurisdiction	Housing Units by Income Level			Total
	Ext. Low	Very Low	Low	
1. Carlsbad	0	257	130	387
2. Chula Vista	273	302	232	807
3. Coronado	0	123	127	250
4. Del Mar	0	9	0	9
5. El Cajon	444	175	9	628
6. Encinitas	11	48	64	123
7. Escondido	286	156	424	865
8. Imperial Beach	1	30	3	34
9. La Mesa	0	167	142	309
10. Lemon Grove	0	19	43	62
11. National City	22	143	142	308
12. Oceanside	0	446	150	596
13. Poway	10	64	20	94
14. San Diego	1,170	2,290	1,436	4,896
15. San Marcos	66	129	56	251
16. Santee	18	221	221	461
17. Solana Beach	45	44	1	89
18. Vista	269	137	89	495
19. County Unincorporated	186	492	366	1,044
Total	**2,801**	**5,252**	**3,655**	**11,709**

** Includes only 10% of Section 8 rental assistance*

*** The production numbers in Table 7 were weighted to account for the relative amount of resources consumed to produce housing at different income levels, as follows:*

Extremely Low - 1.4; Very Low – 1.0; Low – 0.6; Total – 3
(Note: this assumes that three units are generated, one at each income level.)

Source: San Diego Association of Governments, June 1998. (See footnotes 7 and 10.)

Table 9
Supporting Calculations for the Calibration Methodology Ratios

Income Levels	Percent of Median Income	Monthly Affordable Rent[13]	Difference from Moderate Monthly Rent	Average Annualized Difference[14]	Ratio or Weighting Factor	Ratio Rounded to Nearest Tenth
Moderate	**100%**	$1,092	$0	$0	N/A	N/A
Low	**70%**	$764	$328	$39,360	0.601	0.6
Very Low	**50%**	$546	$546	$65,520	1.000	1.0
Extremely Low	**30%**	$328	$764	$91,680	1.399	1.4
				$196,560	3	3

[13] Monthly affordable rent based on TCAC 1997 published rents for two bedroom units at 100% and 50% of median income levels. Low and extremely low rent levels imputed from TCAC 1997 published rents assuming 30% of income to housing.

[14] Calculated assuming the average annualized, annual subsidy cost is equal to the difference between the annualized affordable rent for each income level and the affordable rent for moderate income, capitalized at ten percent.

Table 10
Calibrated Performance by Jurisdictions*
Weighted by Resource Consumption and Income Distribution Goal**
1991 - 1996

Jurisdiction	**Housing Units by Income Level**			**Total**
	Ext. Low	**Very Low**	**Low**	
1. Carlsbad	0	247	160	407
2. Chula Vista	221	290	286	797
3. Coronado	0	118	156	275
4. Del Mar	0	9	0	9
5. El Cajon	359	168	11	539
6. Encinitas	9	46	79	134
7. Escondido	231	150	521	902
8. Imperial Beach	1	29	4	34
9. La Mesa	0	160	174	334
10. Lemon Grove	0	18	52	71
11. National City	18	137	175	330
12. Oceanside	0	428	185	613
13. Poway	8	61	25	94
14. San Diego	948	2,198	1,766	4,912
15. San Marcos	53	124	69	247
16. Santee	15	212	272	499
17. Solana Beach	36	42	1	79
18. Vista	218	132	109	458
19. County Unincorporated	151	472	450	1,073
Total	**2,269**	**5,042**	**4,496**	**11,807**

** Includes only 10% of Section 8 rental assistance*

*** The production numbers in Table 8 were weighted to account for the relative amount of units to be produced, as follows:*

	Ext. Low	*Very Low*	*Low*	*Total*
Weighting Distribution	*33%*	*33%*	*33%*	*100%*
Income Distribution Goal	*27%*	*32%*	*41%*	*1*
Ratio of Above	*0.81*	*.096*	*1.23*	*3*

Source: San Diego Association of Governments, June 1998, (See footnotes 7 and 10.)