Development Services

Affordable, In-Fill and Sustainable Expedite Program Update
September 29, 2017

OVERVIEW:
This item is an informational update about program performance of the Expedite Program, providing analysis and insight over 14 years of the Affordable, Infill and Sustainable Expedite Program.

BACKGROUND:

In the early 1980's, the City Council first approved a program to assist the permitting of affordable housing units in the shortest possible processing time and also reduced development permit and processing costs. In 2003, the program was expanded and renamed to its current title "Affordable/In-Fill & Sustainable Development Program," which is commonly referred to by industry and staff as ***The Expedite Program.*** The purpose of the program is to offer flexibility in the application of development regulations, as well as make available an expedited permit review process for projects providing affordable and/or sustainable structures. The Expedite Program goal is to reduce the permitting time by setting staff review timelines to approximately 50% of that of standard project processing times.

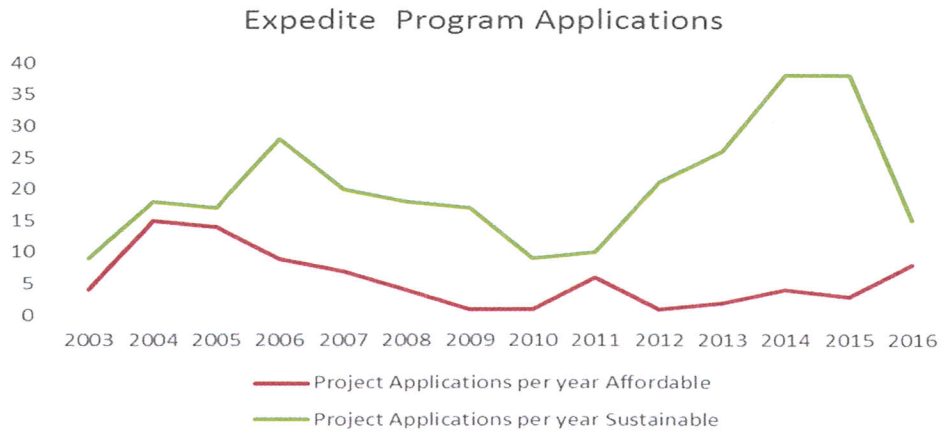
The City Council amended Council Policy 600-27 (Affordable/Infill Housing Expedite Program) in 2003, and directed the City Manager to implement various procedural changes necessary to expedite qualifying affordable/infill projects including a mandatory initial review for early staff feedback, significantly reduced project review cycles, and allowing deviations from development regulations as an additional incentive. Revisions to Council Policy 900-14 (Sustainable Buildings) were also made by Council in 2003, adding it to the Expedite Program.

In July of 2017, the City Council approved substantial revisions to the aforementioned Council policies, and added language regulations to the Land Development Code governing the Expedite Program. This was the first time the Expedite Program had been revised since its inception. The Expedite Program qualifications for affordable, infill and sustainable have been revisited and updated to address the City's Strategic Plan goals and objectives, and other core policy documents such as the Climate Action Plan. New expanded eligibility criteria for streamlined permit processing, and additional Expedite Program code regulations, as well as operational revisions to Development Services Department's (DSD) Expedite program will take effect October 15, 2017.

The Council action included: removing the Expedite Program internal operation procedures and development regulations from Council Policy documents; streamlining the Land Development Code (LDC) to reduce the decision process levels for qualifying deviations from Process 4- *Site Development Permit*, to Process 2- *Neighborhood Development Permit*; and refining the eligibility requirements in the LDC to reflect workforce housing and the City's Federally Designated Promise Zone, as well as including development in the Transit Priority Area.

Expedite Program Statistics:
Overall, Development Services processes more than 55,000 permits per year (from water heaters, to tenant improvement over the counter permits, to master planned communities and skyscrapers). Comparatively, DSD receives an average of 441 discretionary applications annually[1], including the Expedite Program and other discretionary applications. The Expedite Program receives an average of 29 project applications per year, a small fraction of a percent of the total annual applications processed by DSD. However, these complex discretionary projects require a higher decision process level, public hearings by a decision making body (Hearing Officer, Planning Commission or City Council), generate more community involvement and media coverage, thus making them higher profile compared to ministerial buildings.

Since the Expedite Program's inception in 2003 through August 2017, a total of 419 project applications (proposing 20,534 total units) were received. These projects proposed to provide 3,351 affordable units, and 3,943 sustainable units. Of the 419 Expedite applications, 39 withdrew at some point of the project, and 6 were closed for inactivity.



The Expedite Program annual applications grew to a height of 46 in 2006, dropped to 11 in 2010 after the recession, and did not return to that peak until 2014. Post-recession, 2014 - 2015, the workload doubled for the Expedite Program. Over that two year period, 87 applications were received, more than the previous four years combined. Annually, the Expedite Program's average for new applications received is

[1] *City of San Diego DSD PTS Report "Reviewing Discipline Performance Statistics"* Completeness Check- DEV

29 per year. Approvals in the Expedite Program average 25 per year. As of August 30, 2017, eleven applications have been received this year. Currently, 34 Expedite projects are in process, proposing to permit a total of 301 affordable units, and 926 sustainable units.

Expedite Program Statistics- Inception (2003) to present (8/2017)				
	Number of Applications	**Affordable**	**Sustainable**	**Total Units**
Applications Approved	344	3,049 units	2,969 units + non-residential projects	15,755
Under Appeal	4	0	64 units	64
Projects In Review/ Completeness Check	34	301	926 units + 11 non-residential projects	1,227
Withdrawn by applicant	36			3,589
Projects Closed due to applicant inactivity	6	1	13	599

The Expedite Program open to residential, commercial, industrial, retail and mixed use development. It's also been used to process permits for three schools and a church facility.

Break down of Approved Projects by Type, 2003- August 2017

Approved Projects	Residential	Commercial	School	Church
Sustainable	240	32	3	1
Affordable	75	1	0	0

As of today, just over 50% of the units (3,049) have been approved through the affordable Expedite Program, and just under 50% (3,000) sustainable units have been approved. These totals are projected to change by the end of next year, as there are a greater number of applications in process for sustainable projects in process vs. affordable units. Of the 315 approved Expedite projects, 23% of the approved projects include affordable housing, and 76% of Expedite projects have been sustainable development.

Expedite Program Discretionary Applications (Not Approvals)

	Total	Affordable	Sustainable	other*
2003	9	4	9	
2004	35	15	18	1
2005	38	14	17	6
2006	46	9	28	9
2007	35	7	20	8
2008	30	4	18	8
2009	21	1	17	3
2010	11	1	9	1
2011	17	6	10	1
2012	23	1	21	1
2013	29	2	26	1
2014	45	4	38	3
2015	42	3	38	1
2016	27	8	15	4
2017* as of 9/1	11	6	5	0
Total	419	85	289	47

Other* Church, School, Commercial, Closed or withdrawn

Minimum Project Threshold- Four units or more

Prior to the most recent council actions in 2017, Council Policy 900-14 governing Sustainable Expedite called for a minimum of four units to enter the program. In late 2006 as the economy began to slow and capacity within the program was expanded, the City allowed single family residences, duplexes and triplexes into the Expedite program to incentivize use of solar photo voltaic technology in support of local, state and regional energy conservation and sustainability strategies. From 2006 to 2016, a total of 145 projects (236 units), including 76 single family homes, 47 duplexes, 22 triplexes were Expedited under the sustainable eligibility criteria. The majority of these permits were Coastal Development Permits, and outside of the Coastal Zone, would likely have been ministerially approved. The City reinstated the Expedite minimum project threshold of four units in December 2016. The last single-family residential Expedite application was accepted in September of 2016, and is currently still in process.

Fees

At inception, the fees were $500 per unit, a maximum of $40,000 Expedite fee. The fees of the Expedite Program have only been increased one time since 2003. In July 2017, Development Services increased all of its user fees, including the Expedite Program (per unit and square footage) fees by 2%, as allowed by the Municipal Code to reflect annual Consumer Price Index adjustments.

Current fees are:

Residential	$510 per unit
Commercial/Industrial Projects	
0-1,000 square foot	$ 900
1,001 - 5,000 square foot	$ 900 + $7.51 /each additional 100 square foot
5,001 - 20,000 square foot	$ 1,201 + $6.01 /each additional 100 square foot
20,000+ square foot	$ 2,102 + $3.00 /each additional 100 square foot
Maximum Fee	$40,800 per project

The per project fee is capped so it will not exceed 40 percent of the actual staff hourly billing (as determined at project closeout). Due to the program's fee cap, refunds are issued when Expedite fees exceed 40 percent of the project's processing costs. To date, refunds for $462,780 have been issued.

The (14 year) average Expedite Program fee is $9,602 (reduced to $7,843 after fee cap refunds applied). Expedite Program projects pay both standard permit processing fees, and Expedite fees/unit or square foot. Total Expedite fees collected (though July 2017) are just over $4 million ($4,004,250). The net total revenue (after project cap refunds) is $3,514,470. Annually, the average Expedite program revenue is $253,000. The fees charged cover the costs of administering the Expedite Program, including personnel and non-personnel costs, reporting, administration, outreach, updates and training.

2003- 2017	**Revenue**	**Annual Average**
Gross Total Expedite Revenue	$4,004,250	$286,017
Refunds Applied	$ - 462,780	$ -33,055
Net Total Expedite Revenue	$3,514,470	$252,962

Processing Time

The Expedite program is attractive for developers because the goal for the Expedited permitting time is approximately 50% faster than standard. A snap shot of projects (2010-2014) were evaluated in 2016 for their ability to meet the goals of the Expedite program. The projects reviewed met the Department's 50% faster goal, 69% of the time. The Department's performance measure is that 80% of projects meet the timelines, so there is some room for improvement. However, it is important to note of the 31% of cycle review deadlines missed, 35% were missed by one day, 38% missed by two to five days, 20% missed by up to 10 days, and only 7% missed by more than 10 days. These review cycles are set to be 50% of that of standard review cycle timelines.

Timely review is important, but that has to be weighed against the ultimate goal of expedited project approval. Applicants, reviewers and Project Managers work closely together to problem solve Applicants and Project Managers often agree to a reasonable amount of time beyond the deadline to address cycle review issues rather than meet the deadline, close the review and force the project into an additional review cycle.

Snapshot: Timelines by Individual Discipline Reviewers for Expedite Projects

Type of Project	Reviews	Reviews Completed On Time	Reviews Completed Late	Percent Complete On Time
Sustainable Projects	313	218	95	70%
Affordable Projects	188	128	60	68%
Total	501	346	155	69%

(Only projects processed during 2011 to 2015) Source: 2016 Expedite Program Audit

New Affordable Housing Incentive

In order to further incentivize the development of affordable housing in the City of San Diego, and in response to the ongoing affordable housing shortage, as of October 20, 2017, the Development Services Department will no longer charge Expedite Program fees for projects prosing 100% affordable housing onsite. Ministerial project applications to build 100% affordable housing will be "Expressed" in the building permit phase without any additional processing fees. The City's goal is to process all 100% affordable projects twice as fast as standard projects, but it not guaranteed.

The anticipated cost for the 100% affordable housing Expedite incentive is approximately $11,000 annually. The Expedite Program has processed 21 discretionary projects (two in review currently) with 100% affordable units (both for rent and for sale) between 2003 and the present.

The twenty-one 100% affordable projects paid fees of $368,500 over 14 years (after refunds), or approximately $26,000 annual average over 13 years. From 2010 to mid-year 2017, four approved 100% affordable projects paid $90,581 in Expedite fees above standard processing costs. The eight year average for Expedite fees collected from 100% affordable projects is $11,322. The Department projects numbers qualifying projects will remain low due to market conditions, lack of affordable subsidies and updated community plans allowing new development by right.

Many Land Development Code changes and Ordinances have been adopted by Council (including Density Bonus provisions, Reduced Parking Requirements for affordable housing served by transit, and Community Plan Updates adding development capacity and zoning to support mixed uses and infill development). These changes are allowing for more ministerial permitting of projects in the urban core, including more affordable housing.

Expanded Affordable/In-Fill Expedite Eligibility Criteria
In addition to the changes to the Affordable/In-Fill Housing Development Regulations, in an effort to encourage the use of the Expedite Program, Development Services has expanded the eligibility criteria to include one or more of the following affordable, in-fill and sustainable residential or residential mixed use development project types.

- Projects where at least 10% of the units are reserved for low/very low income families;
- Any project requiring discretionary review located in the federally established San Diego Promise Zone;
- Projects of five units or more in the Transit Priority Area; provided that all of the dwelling units are affordable to households earning no more than 150 percent AMI for a period of 15 years;
- Residential development projects receiving funding from the San Diego Affordable Housing Transit Oriented Development Fund or the San Diego Housing Commission.

Sustainability

The City of San Diego had not officially updated the Sustainability Criteria since the program's inception in 2003. Draft updates were proposed to the Sustainability Requirements in 2010, but were not brought before the City Council for adoption. In the meantime, the State of California had revised its building code standards five times since the inception of the Expedite Program in 2003, making the City's eligibility requirements out of date, and fairly easy to achieve. The City's newly adopted Expedite requirements call for sustainable projects to incorporate voluntary Tier 2 development standards pursuant to the California Green Building Standards.

The new Building Code requirements are designed to help California meet its greenhouse gas emission and energy conservation targets, and are the most energy efficient in the nations. Thus it may not be possible to incent the development community to provide energy reduction beyond that of which is already being required with building materials. The new standards are almost as stringent as Leadership in Energy and Environmental Design (LEED) Silver for all construction. LEED-ND, Transit Priority Areas and other conservation strategies will be evaluated as part of the overall energy reduction strategy. Additionally, concentrating on infill development inherently leads to more affordable and sustainable projects in comparison to large lot sprawl development patterns of the past.

Monitoring Process Changes
Once the Expedite Code changes and Program eligibility changes go into effect, DSD will track and monitor the applications to evaluate how the industry is responding to the new eligibility criteria. The LDC changes recently approved by Council systemically reduce the processing level from Process Four to Process Two, thus streamlining the

discretionary process for projects requesting deviations such as height and setbacks etc. Staff may investigate if projects requesting Community Plan Amendments are good Expedite program candidates, as these projects most often exceed three reviews and typically do not have the level of detailed needed for an effective Mandatory Initial Review, as required by the Expedite Program. The Expedite Program's eligibility requirements, and workload will be evaluated annually to ensure staff resources are providing the levels of customer service desired, and meeting performance expectations for 50% faster processing over standard permit processing for 80% or higher of applicants.

Originating Department

Deputy Chief Operating Officer