



Inventory/Housing Affordability

Background

Though the city of San Diego ended its monthly tradition of declaring a continued state of emergency due to the lack of affordable housing – a declaration the City made 13 years, from 2002 to 2015 – little has changed in terms of affordability for homebuyers in the region. In many ZIP codes, the median price of a home is now higher than it was at the peak before the last recession. The home ownership rate in San Diego County has now fallen below 52 percent from a high of 63 percent in 2006. With a healthy economy, low unemployment and growing families, demand for housing is high. But while the demand has grown, supply has been severely constricted by several factors.

Analysis

The high cost of development is the primary reason for weak growth in the region's housing supply. A 2015 report from the Fermanian Business & Economic Institute at Point Loma Nazarene University found regulatory costs account for about 40 percent of the final price of a new home across in San Diego County. It's even higher – 47 percent – in the City of San Diego, which assesses nearly 500 fees. Regulatory costs include the entitlement process, mapping costs, infrastructure fees, permit reviews and construction standards.

The Building Industry Association (BIA) says time is the “killer fee” in San Diego, where it takes an average of 3 to 9 years to work through the regulatory process, the BIA says.

On average, infrastructure fees and development processing fees contribute about 11.75 percent of the final price of a new home. Affordable housing mandates add an additional 6 to 9 percent. The Fermanian report concludes that even a small 3 percent reduction in these regulatory costs could have considerable ripple effects on the overall affordability and supply of housing in the region.

The City of San Diego has not adjusted its fees since 2009 but it is in the process of doing so now (February 2016). It is expected, for example, to combine dozens of separate engineering and discretionary fees to up-front flat fees, something the building industry supports because it helps determine costs at the early stages of the development process.

Given the high cost of development, one way to add housing capacity would be to promote the development of companion units. Also known as accessory units or granny flats, these small dwelling units are built on the same lot as a single-family home and generally include their own kitchen and bathroom. Though a 2002 state law required all California cities to allow the construction of companion units, many cities maintain onerous restrictions that hamper their development.

Position

The Greater San Diego Association of REALTORS® opposes the barriers that prevent the growth of housing supply in San Diego County. To make housing more affordable for all San Diegans, SDAR supports reducing the regulatory costs and the time it takes to develop new housing and easing the restrictions on the development of companion units in existing residential areas.

