



North County Group
Sierra Club San Diego
P.O. Box 2141
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April 25, 2021

Ad-Hoc Housing Committee Members Garcia and Martinez
Planning Commissioners

Via Email

RE: Additional policy and program recommendations for Escondido Housing Element

Dear Ad-Hoc members Garcia and Martinez and Planning Commissioners,

Sierra Club North County Group (NCG) is submitting this second comment letter on policy and program recommendations for the Housing Element for your discussion and consideration. NCG is still developing more specific recommendations on these topics, but hope to offer these ideas into the important discussion the city is having so that, perhaps, we can build a community consensus around how to approach our need for housing development and community investment in Escondido.

As you evaluate and discuss amendments/revisions to the Draft 2021 Escondido Housing Element, we hope you will consider further evaluation of these policies and programs.

NCG Housing Element Recommendations (Second set)

1. Establishing 'minimum density requirements' in key areas linked to development of the Regional Transportation Plan.
2. Strengthen programs a focus on low-income home ownership such as creation of a Community Land Trust and innovative programs.
3. Land Value Recapture and America Rescue Funds as means for producing additional affordable housing

Rationale

- 1. Establishing 'minimum density requirements' in key areas linked to development of the Regional Transportation Plan.**

As we see regularly, Escondido is failing to build to planned density in areas where density is appropriate and needed. Palomar Heights was a little over one third and the proposed Mercado project is just half of the planned density. We acknowledge that there are many areas where higher densities are not appropriate. However, being as we are in a climate emergency, we need to seriously plan for a carbon reduced or neutral future if our communities are to survive.

Urban infill and higher densities near transportation corridors are part of what we must do to plan for a survivable future. City plans always set ‘maximum’ allowable densities, so why not ‘minimum required’ densities in areas where we need higher density. Setting a maximum and hoping developers will build to it, isn’t working. Minimum density requirements in key transit focused areas are needed to meet the fullness and effectiveness of our urban planning efforts.

There are other benefits of these requirements as well. According to Puget Sound Regional Council Housing Innovations Committee:

Adopting minimum densities can also support other community goals such as maximizing transit investments, expanding housing choices, protecting open space, and reducing greenhouse gas emissions.¹

In 2014, Seattle adopted a minimum density program for specific areas with the purpose to:

...limit new low-density, suburban-style development that conflicts with the desired urban design and pedestrian-orientation goals of these areas. It achieved this by:

- *Preventing new development from substantially under-developing sites*
- *Preserving activity adjacent to the sidewalk*
- *Discouraging substantial parking*
- *Protecting development opportunities on sites near transit and services²*

We think these are good criteria for Escondido to consider and include in our urban planning.

Establishing minimum densities will be increasingly important and we may wish to begin with the new East Valley Specific Plan. In addition, the city could do an additional analysis to evaluate transportation corridors in existing plans and recommend minimum densities.

We recommend that Escondido tie minimum densities and up-zoning for land value recapture (see #3 below) to the plan for improved public transit currently under development at SANDAG for the new regional transportation plan.

We really can’t wait. With each urban infill project built below density, we are losing opportunities that won’t come again for a generation to provide housing and reduce our overall GHG emissions needed for a sustainable future.

2. Strengthen programs that focus on low-income home ownership such as creation of a Community Land Trust and innovative programs.

While most dedicated affordable housing are rentals, in the name of housing justice and equity, we should be working toward programs that help low-income families enter the home ownership market.

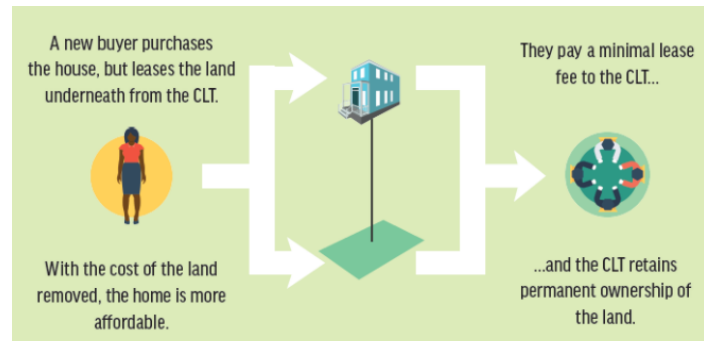
¹ Fact Sheet on Minimum Densities <https://www.psrc.org/sites/default/files/hip-min-density.pdf>

² <https://www.seattle.gov/sdci/vault/minimum-density>

Equity in a home is a major factor in creation of wealth for current and future generations of residents. Such opportunities for low and moderate income families for home ownership is something the Housing Element should address and find ways to facilitate.

One way that this can be supported is through Community Land Trusts (CLT). The model of CLTs is over 50 years old and can be adapted to meet community housing needs, including permanently affordable homeownership. CLTs are being used to support housing equity and reduce displacement. It is also an innovative way to provide affordable housing.

There are many ways a CLT can be created. Here is one model,³



How a Community Land Trust works (Source: Church Hill People's News)

One option that might be applicable for Escondido is for the city to retain ownership of the public property it currently sells to developers (e.g. Mercado, proposed Aspire) and lease it to them instead. This could significantly lower the cost of the development (reduced land cost) and the value could be re-captured in the form of affordable housing unit-- rental and for sale.

We are sure this is more complex idea than it sounds, but we hope we will have a chance to look 'with new eyes' on this idea. Land in the urban area owned by the public (city, hospital etc...) is an important and highly valuable asset. We should develop programs that leverage and maximize that asset for the public.

An innovative organization called Grounded Solutions Network is offering a [free one hour webinar](#) on May 5, 2021 on how CLTs can be used to provide community control over important land assets. We hope that our decision-makers and staff will take an opportunity to learn more about this tactic to build homeownership in our community.

The Urban Institute reported on a non-profit organization approach that supports lower income homeownership. The New Mexico Homewise model,

... issues two mortgages—the first is for 80 percent of the home's value, and the second is for 18 percent. The first mortgage is resold on the secondary market to raise capital for additional clients, and Homewise holds on to the riskier second mortgage so that the client pays only a 2 percent down payment while still eliminating the need for mortgage

³ https://www.strongtowns.org/journal/2018/4/4/organizing-and-the-community-land-trust-model?gclid=Cj0KCQjwvYSEBhDjARIsAJMn0lgMZShrqmwUG_3vzd4U6KX3_E25Gob9S8tVehdNygkijPH-tXO2EvoaAvtyEALw_wcB

insurance. Homewise services both loans so that they can monitor loan performance on each and intervene early if there is a problem.

Homewise also offers a suite of other services including financial counseling, homebuyer education, real estate development, real estate sales, mortgage origination, and loan servicing, as well as an in-house incentivized savings program.^{4 5}

This model addresses one of the most significant barriers to home ownership-- the initial savings for a down payment. We hope that this can be evaluated as a supplement or in addition to the current city Homebuyer Entry Loan Program.⁶

Another option is to give a preference in your affordable housing RFPs/NOFAs to Low-Income Housing Tax Credit (LIHTC) projects which will ultimately sell the apartments to the low-income residents. California Tax Credit Allocation Committee Regulations dated December 21, 2020 Section 10326(j)(4) allows for apartments financed with LIHTC to be sold to low-income residents after the initial 15-year IRS regulatory period. This can be an option for the City to leverage its funding at a low ratio for the benefit of low-income buyers.

These are only three options for innovative ways to help low and moderate income residents become homeowners. We request that these, and other innovative strategies, are examined for applicability in Escondido.

3. Zoning for Land Value Recapture and America Rescue Funds as means for funding additional affordable housing

It should be remembered that, with (in our case) the punch of three buttons by the City Council, in a zoning decision can created 1,000s or millions of dollar of additional value for property to which the decision applies. Since there are strict rules about governmental decisions not eliminating property value to landowners, it seems fair that when property values are significantly increased through new zoning, the public retain some of that benefit. A great way to 'recapture value' is through requirements for affordable housing—a desperate need for the public.

In their article, *Inclusionary Housing, Incentives, and Land Value Recapture Local Housing* and planning experts Nico Calavita (San Diego State University) and Alan Mallach (Brookings Institution) discuss how many 'incentives' for inclusionary housing often just transfer costs to the public.⁷ In fact, they note that incentives and cost offsets provided to development may carry potentially high public costs.⁸ This cost to the public while the landowner accrues the increased value of the governmental action. The authors list several means by which the public ends up paying for the benefits.

⁴ <https://www.urban.org/urban-wire/innovative-model-reducing-gaps-homeownership>

⁵ <https://www.sciencedirect.com/science/article/abs/pii/S1051137717301729>

⁶ <https://www.escondido.org/Data/Sites/1/media/pdfs/Housing/FirstTimeHomebuyerProgramEnglish.pdf?v=8>

⁷ Calavita and Mallach, *Inclusionary Housing, Incentives, and Land Value Recapture Local Housing*, January, 2009, Lincoln Institute of Land Policy, p 18

⁸ *ibid*

A better idea is to recapture some of the land value increases that come about through new zoning for the public good.

Calavita and Mallach make the case that the better way to achieve integrated, inclusionary housing is *to better integrate inclusionary housing into good planning practices that begin to recapture for the public good some part of the unearned increment in land values resulting from the exercise of public land use regulatory powers.*⁹

A second funding area that we hope can be investigated is the potential use of American Rescue Funds the city will receive for the development of affordable housing. Since many people lost their jobs and some their housing, the provision of new affordable housing we think may be an acceptable and compliance use of some of the funds.

We look forward to the discussion of the Planning Commission on these topics at your April 27th meeting and hope to attend any Ad-Hoc meeting held by the Ad-Hoc Housing Committee.

Thank you for the opportunity to comment on this important planning effort. Please contact us at conservation@sierraclubncg.org with any questions or for more information.

Sincerely,



Laura Hunter, Chair
NCG Conservation Committee

cc.

Jeff Epp, City Manager

Mike Strong, Community Development Director

Karen Youel, Housing and Community Investment Director

Karla Ortega, First Time Homebuyers program manager

⁹ *ibid*, p 21