



KEYSER MARSTON ASSOCIATES

**MEMORANDUM**

**ADVISORS IN:**

REAL ESTATE  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**BERKELEY**

DEBBIE M. KERN  
DAVID DOEZEMA

**LOS ANGELES**

KATHLEEN H. HEAD  
KEVIN E. ENGSTROM  
JULIE L. ROMNEY  
TIM BRETZ

**SAN DIEGO**

PAUL C. MARRA  
LINNIE A. GAVINO

**EMERITUS**

A. JERRY KEYSER  
TIMOTHY C. KELLY

**To:** Stacy Calderon, PMP  
Senior Associate, Housing Team  
LeSar Development Consultants

**From:** KEYSER MARSTON ASSOCIATES, INC.

**Date:** May 13, 2024

**Subject:** Summary of Process and Final Recommendations  
Housing Finance Working Group  
San Diego County Housing Blueprint

**I. INTRODUCTION**

In accordance with the Housing Blueprint effort undertaken for the County of San Diego (County) LeSar Development Consultants (LDC) in coordination with Keyser Marston Associates, Inc. (KMA) and Mariposa Strategies, LLC (Mariposa) (Consultant Team), this memorandum summarizes the Housing Finance Working Group (HFWG) mission, membership, process, and final recommendations.

The Mission Statement for the HFWG was to identify approaches to increase the affordability and production of, and reduce the cost of, for-sale housing for populations earning up to 120% of Area Median Income (AMI) in the unincorporated areas of the County, specifically:

- Financing tools or partnerships to stimulate middle-income homeownership
- Incentives or policy changes to spur production of middle-income for-sale housing
- Land use planning changes to increase housing affordability

HFWG members included market-rate and affordable housing developers, lenders, housing advocates, labor organizations, and other key stakeholders. HFWG member invitees were selected from a range of housing interests and finance expertise to build a diverse group that reflects the richness of perspectives and experiences within the San Diego region.

To: Stacy Calderon, Senior Associate  
Subject: Summary of Process and Final Recommendations  
Housing Finance Working Group, San Diego County Housing Blueprint

May 13, 2024

Page 2

The Consultant Team initially identified approximately 60 potential stakeholders to participate in a series of three (3) HFWG virtual meetings. The final list of registered participants included 31 individuals. A complete list of HFWG members is presented in Exhibit A.

## **II. PROCESS**

An agenda, slide deck, and other relevant materials were distributed to registered participants prior to each HFWG meeting. The Consultant Team facilitated three interactive meetings with the HFWG, as described below.

### ***Meeting #1: Assessment of Current Conditions and Challenges*** ***Thursday, February 29, 2024 | 12:30 to 2:00 P.M.***

The objective of Meeting #1 was to gain insight from the HFWG members on barriers to homeownership in terms of both the developer experience (financing/building for-sale housing) and the homebuyer experience (qualifying/purchasing for-sale housing). The Consultant Team presented an overview of current market and financial trends in unincorporated San Diego County. The Consultant Team then facilitated an interactive discussion among HFWG members. To further guide the discussion, the Consultant Team conducted two (2) polls to allow members to rank the importance of various barriers from the developer and homebuyer perspective.

### ***Meeting #2: Potential Solutions, Programs, and Policies*** ***Thursday, March 14, 2024 | 12:30 to 2:00 P.M.***

The primary objective of Meeting #2 was to allow HFWG members to engage in a more thorough discussion on potential developer and homebuyer programs and incentives that could be considered by the County. The Consultant Team provided the polling results from Meeting #1 as well as a summary of other barriers that were identified by HFWG members. The Consultant Team also profiled other parallel land use planning and housing policy initiatives that the County is undertaking. An additional four (4) polls were conducted to rank potential developer and homebuyer tools and incentives to support middle-income housing development and homeownership.

### ***Meeting #3: Working Group Recommendations*** ***Thursday, April 11, 2024 | 12:30 to 2:00 P.M.***

The objective of Meeting #3 was to finalize the list of developer and homebuyer incentives to present to the County. HFWG members were presented with the poll findings from Meeting #2. The Consultant Team presented a series of matrices for each of the recommended incentives that identified key benefits, key challenges, and comparable examples from other jurisdictions or institutions. HFWG

members were then asked to rank the recommended incentives. The rankings were weighted from “weak support for County to pursue recommendation” to “strong support for County to pursue recommendation”. The Consultant Team also provided the HFWG members with one (1) week to provide additional feedback.

**III. FINAL RECOMMENDED INCENTIVES**

Based on the HFWG meetings, and the range of comments and feedback received from members, the Consultant Team has finalized the list of recommended incentives for County consideration to three (3) developer-based incentives and three (3) homebuyer-based incentives, as follows:

RECOMMENDED INCENTIVES	
Developer Incentives	Homebuyer Incentives
1. Establish a revolving loan fund	4. Create a Middle-Income Homebuyer Assistance Program
2. Defer Development Impact Fees (DIFs)	5. Provide financial education and homebuyer readiness program support for community-based organizations serving disadvantaged communities
3. Streamline and expedite entitlement processing for housing developments	6. Prepare development standards and zoning reform incentivizing small-scale for-sale developments

The Consultant Team conducted high-level overviews for each of the recommended incentives. These final recommended incentives are presented in Exhibits B through G, and include the following information:

1. Description of incentive
2. Potential program parameters
3. Comparable examples
4. Key benefits
5. Key challenges

The Consultant Team recommends that the County evaluate the recommended incentives and conduct thorough evaluations related to implementation, administration, and adoption of each of these potential incentives.

attachments

**EXHIBIT A**

**HOUSING FINANCE WORKING GROUP MEMBERS**

**HOUSING BLUEPRINT**

**COUNTY OF SAN DIEGO**



First Name	Last Name	Company	E-Mail Address
Douglas	Austin	AVRP Studios	<a href="mailto:dhaustin@avrpstudios.com">dhaustin@avrpstudios.com</a>
Chris	Cate	BIA of San Diego	<a href="mailto:chris@chrisjcate.com">chris@chrisjcate.com</a>
Peter	Dennehy	John Burns Research and Consulting	<a href="mailto:pdennehy@jbrec.com">pdennehy@jbrec.com</a>
Jose	Dorado	City of El Cajon	<a href="mailto:jdorado@elcajon.gov">jdorado@elcajon.gov</a>
Ansermio	Estrada	San Diego County Building and Construction Trades Council	<a href="mailto:ansermio@sdbuildingtrades.com">ansermio@sdbuildingtrades.com</a>
Ricardo	Flores	LISC San Diego	<a href="mailto:rflores@lisc.org">rflores@lisc.org</a>
Steph	Groce	C4GS-ZEDlife	<a href="mailto:sgroce@c4gs.org">sgroce@c4gs.org</a>
Leilani	Hines	City of Oceanside	<a href="mailto:lhines@oceansideca.org">lhines@oceansideca.org</a>
Robert	Ito	Ito Girard and Associates	<a href="mailto:robert@itogirard.com">robert@itogirard.com</a>
Vida	Khavari	Guild Mortgage	<a href="mailto:ykhavari@guildmortgage.net">ykhavari@guildmortgage.net</a>
Sean	Kilkenny	Nolen Communities	<a href="mailto:skilkenny@nolencommunities.com">skilkenny@nolencommunities.com</a>
Carol	Kim	San Diego County Building & Construction Trades Council	<a href="mailto:carol@sdbuildingtrades.com">carol@sdbuildingtrades.com</a>
Stacey	Kurz	City of Chula Vista	<a href="mailto:skurz@chulavistaca.gov">skurz@chulavistaca.gov</a>
Adrian	Luna	BIA of San Diego	<a href="mailto:adrian@biasandiego.org">adrian@biasandiego.org</a>
Jim	Mahler	American Federation of Teachers 1931	<a href="mailto:aftjim@mac.com">aftjim@mac.com</a>
Arnulfo	Manriquez	MAAC	<a href="mailto:amanriquez@maacproject.org">amanriquez@maacproject.org</a>
Nathan	Moeder	London Moeder Advisors	<a href="mailto:nathan@londonmoeder.com">nathan@londonmoeder.com</a>
Rob	Morgan	Trestle Build	<a href="mailto:rob@trestlebuild.com">rob@trestlebuild.com</a>
Josh	Newton	UCSD	<a href="mailto:jdnewton@ucsd.edu">jdnewton@ucsd.edu</a>
Louie	Nguyen	Mission Driven Finance	<a href="mailto:louie@missiondrivenfinance.com">louie@missiondrivenfinance.com</a>
Maurico	Perez	National Association of Hispanic Real Estate Professionals	<a href="mailto:mo@mysandiegobroker.com">mo@mysandiegobroker.com</a>
Sujata	Raman	San Diego Housing Commission	<a href="mailto:sujatar@sdhc.org">sujatar@sdhc.org</a>
Heather	Riley	Allen Matkins	<a href="mailto:hriley@allenmatkins.com">hriley@allenmatkins.com</a>
Carlos	Rodriguez	City of Chula Vista	<a href="mailto:crodriguez@chulavistaca.gov">crodriguez@chulavistaca.gov</a>
Marie	Sanders	City of Poway	<a href="mailto:msanders@poway.org">msanders@poway.org</a>
Sean	Santa Cruz	Hallmark Communities	<a href="mailto:ssantacruz@hallmarkcommunities.com">ssantacruz@hallmarkcommunities.com</a>
James	Sly	San Diego East County EDC	<a href="mailto:james.sly@eastcountyedc.org">james.sly@eastcountyedc.org</a>
Chris	Stanley	City of Chula Vista	<a href="mailto:cstanley@chulavistaca.gov">cstanley@chulavistaca.gov</a>
Russell	Stephen	San Diego Housing Federation	<a href="mailto:steve@housingsandiego.org">steve@housingsandiego.org</a>
Oscar	Uranga	Unison Communities	<a href="mailto:oscar@unisoncommunities.com">oscar@unisoncommunities.com</a>
Brian	Warwick	City of Chula Vista	<a href="mailto:bwarwick@chulavistaca.gov">bwarwick@chulavistaca.gov</a>

**EXHIBIT B  
RECOMMENDATION #1  
INCENTIVE TO ADDRESS DEVELOPER FINANCIAL BARRIERS**

<b>Recommendation</b>	Establish a revolving loan fund
<b>Description</b>	Explore the establishment of a revolving loan fund for developers of middle-income ownership housing
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• Work with philanthropic organizations to create a revolving loan fund for middle-income ownership housing developments</li> <li>• Funds provided as either predevelopment loans and/or mezzanine construction loans to be taken out upon sales to homebuyers</li> <li>• As an example, eligible projects could be required to include a minimum 25% of units at initial prices affordable to households earning up to 150% AMI</li> <li>• Homes would be subject to affordability covenants for a term of 45 years; during the term of the covenants, owners could only sell their units at restricted prices to qualified households</li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>City of Los Angeles New Generation Fund (NGF)</b> – Acquisition and pre-development capital for affordable housing development. Eligible projects can include either rental or homeownership units targeted to households earning at or below 150% AMI. The low-interest rate loans are repaid once developers qualify for permanent financing.</li> <li>• <b>Middlemarch Fund</b> – Provides developers access to lower cost equity capital in exchange for restricting rental housing units between 80% and 120% AMI. Units must be deed restricted for a minimum of 30 years. Funds are made available once a project is ready to break ground with a financial institution commitment and building permits issued.</li> </ul>
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Provides supplemental capital source for housing developers</li> <li>• Enhances project feasibility by reducing overall cost of financing</li> <li>• Generates economic return for investors</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• Requires County General Fund budget set-aside, partnerships with philanthropic organization(s), and/or private investors</li> <li>• Requires outreach to developers regarding advantages of program</li> <li>• Long-term covenants may be a disincentive for buyers and will create ongoing administrative responsibilities for the County</li> </ul>

**EXHIBIT C  
RECOMMENDATION #2  
INCENTIVE TO ADDRESS DEVELOPER FINANCIAL BARRIERS**

<b>Recommendation</b>	Defer Development Impact Fees (DIFs)
<b>Description</b>	Explore a Development Impact Fee (DIF) deferral program that allows developers of middle-income ownership housing to pay DIFs at project completion
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• Developers of middle-income ownership housing could defer payment of County DIFs until project completion (Certificate of Occupancy)</li> <li>• As an example, eligible projects could be required to include a minimum 25% of units at initial prices affordable to households earning up to 150% AMI</li> <li>• Implementation of a DIF deferral program may not warrant long-term affordability covenants or restrictions on the resale of homes to qualified affordable buyers; however, there may be an opportunity to incorporate a minimum number of years the original buyer should occupy the home before re-sale</li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>City of San Marcos Public Facility Fee (PFF) Deferral Program</b> – Program provides developers the option to defer public facilities impact fees until the development is ready for its utility release. An application to defer payment of PFF must be completed by the developer and approved by the City. As a condition of the deferment, a lien is recorded on the affected property with the County Recorder in the amount that is deferred and is enforceable against successors in interest to the owner.</li> <li>• <b>City of Chula Vista Deferred DIF Program</b> – Industrial, commercial, and high-density residential (rental) projects located in Western Chula Vista and the Chula Vista Auto Park have the ability to defer certain development impact fees beyond Certificate of Occupancy by annexing into the Western Chula Vista Community Facilities District (CFD 17-I). The program allows the fees to be deferred for 10 years, with repayment in years 11 through 30. Deferred fees accrue interest at 2% per year.</li> </ul>
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Enhances project feasibility by reducing development costs (specifically interest costs)</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• Temporarily delays County receipt of funds needed to develop public facilities and infrastructure to serve new residential development</li> <li>• Directs benefit towards a housing activity and income group that may not be the highest need/priority vs. targeted to affordable rental housing restricted to very low and low income levels</li> </ul>

**EXHIBIT D  
RECOMMENDATION #3  
INCENTIVE TO ADDRESS DEVELOPER FINANCIAL BARRIERS**

<b>Recommendation</b>	Streamline and expedite entitlement processing for housing developments
<b>Description</b>	Streamline and expedite entitlement processing for all housing developments, particularly middle-income ownership housing. Align the County’s multiple land use, mobility, housing plans, studies, and policy initiatives to support new housing development. Address factors contributing to lengthy delays in processing entitlements for housing developments compliant with the General Plan.
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• Prepare realistic updated General Plan projections for development in the unincorporated area that reflect impacts of the adopted VMT Guidelines and likely CEQA challenges</li> <li>• Adopt targeted Specific Plans and Community Plan Amendments with Programmatic EIRs</li> <li>• Implement changes to entitlement processing through new operational procedures, staff recruitment and training, and a shared mission of accelerating housing production</li> <li>• Expand the range of housing developments that can be approved ministerially</li> <li>• Establish an expedited entitlement process for middle-income ownership housing developments, potentially defined as projects with at least 25% of the units initially affordable to households up to 150% AMI</li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>City of Riverside Streamline Riverside Program</b> – Program provides customers with various tools that allow customers to work through the development process and promotes certainty and transparency. These tools include: <ul style="list-style-type: none"> <li>○ <i>One Stop Shop</i> – entire City development team is located on a single floor at City Hall</li> <li>○ <i>Development Review Committee</i> – process that allows early input from all City departments to improve review processes for entitlements</li> <li>○ <i>Code Updates</i> – reduces red tape to allow development proposal to move in an expedited manner</li> <li>○ <i>Uniform Plan Check Turnaround</i> – ensures all City departments return plan review comments on the same date</li> <li>○ <i>Expedited Plan Check Services</i> – allows customers to request quicker service for an additional review, cutting review time in half</li> <li>○ <i>Useful Technology Software</i> – provides customers the ability to submit projects, permit applications, and electronic plans through a public portal and provides customers with 24/7 remote access to City staff</li> </ul> </li> </ul>

**EXHIBIT D  
RECOMMENDATION #3  
INCENTIVE TO ADDRESS DEVELOPER FINANCIAL BARRIERS**

<b>Recommendation</b>	Streamline and expedite entitlement processing for housing developments
<b>Comparable Examples (cont'd.)</b>	<ul style="list-style-type: none"> <li>• <b>City of San Diego Initiatives</b> – In recent years, the City has implemented a series of initiatives to promote and expedite the production of housing. The initiatives include: <ul style="list-style-type: none"> <li>○ <i>Affordable Housing Permit Now Program</i> – allows City staff to liberally grant incentives and waivers, requires City departments to process building permit applications and certificates of occupancy within five (5) business days, and conclude all reviews required to issue approvals for 100% affordable housing projects</li> <li>○ <i>General Plan Refresh (Blueprint SD)</i> – proposes amendments to the General Plan to include policies to encourage more home production in areas that can best help achieve the City’s climate action goals</li> <li>○ <i>Land Development Code Updates</i> – annual update and monitoring of the City’s land development code by the City’s planning department to simplify and streamline the permitting processes, assure compliance with State and Federal regulations, eliminate unnecessary barriers, redundancies and contradictions, and align policy with the City’s climate, equity, and housing goals</li> <li>○ <i>Complete Communities: Mobility Choices</i> – reforms development processes to align with mobility goals by streamlining projects located in VMT efficient areas, providing developers with a VMT calculator, and implementing mitigation measures for new development</li> </ul> </li> </ul>
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Ensures streamlined development processing through efficient administration of County policies and initiatives</li> <li>• Expedited timing and enhanced certainty results in cost savings to developers</li> <li>• Creates realistic expectations of achievable development, locations, and timing</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• Requires a “culture shift” for County planning and development, including operational and organizational changes</li> <li>• Requires time and cost to update County land use plans and policies</li> </ul>



**EXHIBIT E  
RECOMMENDATION #4  
INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Create a Middle-Income Homebuyer Assistance Program
<b>Description</b>	Modify, supplement, and expand homebuyer down payment and closing cost assistance to ensure they serve a greater share of prospective homebuyers in San Diego County, including creating a middle-income homebuyer assistance program targeted to households earning up to 150% of Area Median Income (AMI).
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• Work with philanthropic organizations to create a middle-income homebuyer assistance program for first-time homebuyers targeted to households earning up to 150% of Area Median Income (AMI.)</li> <li>• Given current market conditions, including steep home price appreciation and low supply of entry-level ownership housing, existing 80% AMI restrictions on the current San Diego County Down Payment Assistance Program make the program infeasible for households seeking to purchase a home today. Even among those making between 120-150% AMI, down payment and monthly mortgage payments make homeownership out of reach for individuals who do not rely on generational wealth to achieve homeownership. To ensure that limited funds go to the households that need it most (those starting on their wealth-creation journey), the program can be targeted to first-time homebuyers who are also first-generation homebuyers.</li> <li>• The Middle-Income Homebuyer Assistance Program can be used for down payment assistance, closing costs, or to buy down interest rates.</li> <li>• Create a special set-aside for residents of Affordable Housing units in San Diego County to free up more affordable housing units for residents needing housing.</li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>The California Dream For All Program</b> – Run by the California Housing Finance Agency, provides up to a 20% down payment equity sharing loan for first-time, first-generation homebuyers.</li> <li>• <b>Los Angeles Housing Department Moderate Income Purchase Assistance Program</b> – Program provides a loan of up to \$115,000 for down payment, closing costs, and acquisition. Up to \$115,000 will be available for homebuyers earning between 80-120% Area Median Income (AMI) and up to \$90,000 will be available for homebuyers earning between 121%-150% AMI.</li> <li>• <b>Los Angeles County Greenline Home Program</b> – Program provides a \$35,000 grant for downpayment or closing cost assistance towards the purchase of a home for first-time home buyers of Los Angeles County who are low to moderate income (up to 150 AMI).</li> </ul>

**EXHIBIT E  
RECOMMENDATION #4  
INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Create a Middle-Income Homebuyer Assistance Program
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Provides needed homebuyer assistance to “missing middle” homebuyers who are struggling to achieve homeownership despite their moderate-income status due to current market conditions.</li> <li>• Creates a targeted demand-side approach to individuals most likely to have not benefited from generational wealth.</li> <li>• Bolsters first-time homebuyers beginning on their generational wealth creation journey.</li> <li>• Increases property tax revenue.</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• Requires County General Fund budget set-aside, partnerships with philanthropic organization(s), and/or private investors</li> <li>• Requires outreach to real estate professionals to ensure knowledge of the program.</li> <li>• Depending on the size of money allocation for this program, the program will run out quickly due to high demand.</li> </ul>

**EXHIBIT F  
RECOMMENDATION #5  
INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Financial education and homebuyer readiness program support for community-based organizations serving disadvantaged communities.
<b>Description</b>	Fund the expansion or creation of financial education programs operated by community-based organizations serving historically disadvantaged communities throughout San Diego County.
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• Eligible community-based organizations must be headquartered in historically disadvantaged areas of the County.</li> <li>• Eligible community-based organizations must primarily serve communities that have been historically shut out of homeownership and wealth-creation opportunities through racial segregation, redlining, and a history of racism.</li> <li>• Financial education programs can cover homebuyer readiness, certified HUD-approved housing counselors, wealth creation, and asset diversification. Additionally, the programs must be designed to provide cultural sensitivity and relevance to the communities being served.</li> <li>• Grant allocation can be determined both by the strength of applications and a determination of areas of the county that are least being served by financial education programs.</li> <li>• Ensure that financial education initiatives are a part of all county homeownership initiatives.</li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>Wells Fargo Worth Initiative</b> – The San Diego Housing Commission received a \$7.5 million grant from Wells Fargo to increase the number of BIPOC homeowners in the San Diego region. A critical component of this program involves funding homebuyer readiness programs for a small number of non-profits with existing housing counseling services.</li> <li>• <b>Operation Hope</b> — This is one of the best non-profits in the nation focusing on equipping individuals and communities with the financial tools they need to secure a better future through financial independence. The organization partners with financial institutions, corporations, agencies, and community organizations to offer various programs such as credit and money management, small business development, youth financial literacy, and financial disaster recovery.</li> </ul>

**EXHIBIT F**  
**RECOMMENDATION #5**  
**INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Financial education and homebuyer readiness program support for community-based organizations serving disadvantaged communities.
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Connects prospective homebuyers to existing programs available to them in the county.</li> <li>• Creates critical partnerships with communities that work closely with underserved communities and recognizes the linkage between homeownership and racial equity.</li> <li>• The Recent National Association of Realtors Settlement that reforms the way sellers’ agents get compensated might result in a reduction of sellers' agents in the market. In the past, seller’s agents, particularly those working with first-time homebuyers often spent several months to a year getting homebuyers “mortgage-ready.” This will likely increase the need/demand for housing counselors to guide first-time homebuyers through the home buying process.</li> <li>• Encourages and guides low to moderate-income San Diego residents to create wealth even before purchasing a home (investments beyond real estate).</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• Entry-level housing supply continues to be the most underbuilt housing category in the market. Without units for sale, housing counseling will not increase homeownership rates alone.</li> </ul>

**EXHIBIT G**  
**RECOMMENDATION #6**  
**INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Prepare development standards and zoning reform incentivizing small-scale for-sale developments
<b>Description</b>	Implement new development standards to accommodate small lot-single-family, townhomes, and condominiums. Adopt enabling legislation to create for-sale Accessory Dwelling Units (ADUs).
<b>Potential Program Parameters</b>	<ul style="list-style-type: none"> <li>• To incentivize the building of townhomes and small-lot single-family entry-level housing: reduce minimum lot size requirements to 1,400 square feet in selected unincorporated areas of the county.</li> <li>• For sale ADUs: <ul style="list-style-type: none"> <li>○ Eliminate sales restrictions and adopt legislation expressly allowing ADU sales.</li> <li>○ Publish ADU checklist indicating Subdivision Map Act compliance and lender subordination information.</li> <li>○ Establish first right of offer to owner occupants to encourage new homeownership. (45 days on publicly accessible databases i.e., MLS.) To avoid issues with lenders, do not require owner occupancy.</li> <li>○ Create ADU homeownership program in the county with staff that expedites ADU condominium processing. This program could be paired with existing homebuyer programs in the county, i.e., down payment assistance programs.</li> <li>○ Could create a pilot program geared toward first time homebuyers to establish proof of concept.</li> </ul> </li> </ul>
<b>Comparable Examples</b>	<ul style="list-style-type: none"> <li>• <b>City of Houston Minimum Lot Size Reduction</b> – In 1998, Houston reduced the by-right minimum lot size from 5,000 to 3,500 SF within the city’s inner core and permitted even smaller lots (down to an average of 1,400 SF) for subdivisions that met certain conditions. In 2013, the 1,400 SF minimum lot size was extended to cover all the land in the city with wastewater collection services. Thousands of townhomes are now built in Houston each year and the BIPOC homeownership rates are one of the highest in the nation.</li> <li>• <b>Examples of For Sale ADUs</b> – <ul style="list-style-type: none"> <li>• <b>Princeton, NJ:</b> Allows separate sale of ADUs, creating ownership opportunities at 30-50% below the median sales price of a full home. The initiative is helping the city become more inclusive and diversified.</li> <li>• <b>Portland, OR:</b> Portland allows the sale of ADUs as condominiums, creating homes that sell for 40-60% of market prices. Sales of newly built ADUs in 2022 were all within 120% AMI affordable range for 2-person Portland households.</li> <li>• <b>Seattle, WA:</b> 40% of all ADUs built in Seattle are sold as condominiums, creating new ladders into homeownership for generations priced out.</li> </ul> </li> </ul>

**EXHIBIT G**  
**RECOMMENDATION #6**  
**INCENTIVE TO ADDRESS HOMEBUYER FINANCIAL BARRIERS**

<b>Recommendation</b>	Prepare development standards and zoning reform incentivizing small-scale for-sale developments
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>• Incentivizes the development of entry-level homeownership supply without subsidies.</li> <li>• Leverages success of ADU production in San Diego County to be used toward entry-level homeownership (low-hanging fruit.)</li> <li>• Leverages what is working in other cities to incentivize entry-level homeownership supply (i.e., Houston).</li> </ul>
<b>Key Challenges</b>	<ul style="list-style-type: none"> <li>• While many cities/municipalities are interested in adopting a for-sale ADU program, San Diego County would be among the first in California.</li> <li>• Requires a “culture shift” for County planning and development, including operational and organizational changes.</li> <li>• Requires time and cost to update County land use plans and policies.</li> </ul>