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Panel OKs low-income housing fee on builders

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Commercial developers would generate millions

By Lori Weisberg
UNION-TRIBUNE STAFF WRITER

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Commercial developers would pay substantially higher fees to subsidize affordable housing under a plan recommended for approval yesterday by the San Diego Housing Commission.

The fee hike proposal, which was brokered with the help of the business community, would eventually generate \$3 million to \$5 million annually. The money is deposited into a trust fund administered by the Housing Commission and is used to help create low-income rental housing in the city of San Diego, as well as provide homeownership opportunities for first-time buyers.

Although certain aspects of the fee program still need to be refined, commissioners endorsed the increases, which still have to go before the City Council. The council's Land Use and Housing Committee is scheduled to hear the matter May 25.

"We're always looking for additional sources of money to fund low-to moderate-income housing, and this is a way where the industries get to participate," said Commission chairman Sal Salas. "If the projections come true, the \$5 million we'll get is a far cry from the \$1.4 million we collected this last year."

The proposed fee increases vary widely, depending on the type of

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development being taxed. The premise behind the levies is that employment growth stemming from new commercial and industrial development generates a need for more affordable housing.

In at least one case, the proposed fee for large-scale retail establishments more than 20,000 square feet in size would soar 485 percent, from 64 cents a square foot to \$3.75 in three years, when it would be fully phased in.

For hotels of more than 500 rooms, the fee would quadruple by the third year, while office development fees would increase 40 percent. The fee hikes for retail and hotel uses tend to be higher because they are industries that attract a larger share of lower-paid workers.

The new fees were calculated based on a complex analysis that took into consideration the proportion of employees of varying income levels occupying different kinds of commercial establishments, including office, hotel, retail and manufacturing uses.

If approved by the council, the new fee structure would help restore funding lost nine years ago, when the city cut the fee in half in response to economic conditions. Although envisioned in the early 1990s as a fund that would bring more than \$50 million into the city each year for low-and moderate-income housing, it has generated far less because nearly all of the revenue sources originally recommended to bankroll the trust fund were never supported by elected leaders.

"The housing crisis has reached an unbelievable level," said Mitch Mitchell, vice president of public policy for the San Diego Regional Chamber of Commerce, which helped craft yesterday's compromise proposal. "We don't support fee increases overall because they could have a detrimental impact on an economy that's been soaring, but in the end, we realized compromise is what we need and business needs to be part of the solution."

While the building industry is not especially fond of the idea of charging commercial developers to help subsidize housing, it is not officially opposing the compromise proposal.

"We think it's a significant reach to require new places of business to provide a fee for affordable housing," said Paul Tryon, chief executive of the San Diego County Building Industry Association. "But we have been working with the Housing Commission for a number of months to ensure that the fee they propose is as balanced as possible.

"But this still harkens back to the days when they first put (the trust fund) in place, and it was supposed to be more than just new development responsible for societal needs, and 15 years later, this City Council refuses to put in place any broad funding solution."

One area of contention is what to charge research and development companies, if anything. The commission came to no consensus on the issue, but heard from several industry representatives appealing for an exemption.



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Katie Hansen, policy coordinator for the biotech trade group Biocom, said that while the group supports fee increases in general, it believes that research and development companies should be exempted.

■ Lori Weisberg: (619) 293-2251; lori.weisberg@uniontrib.com

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