

COMMENTARY

Editorials, letters, columns and other opinions

Kicking the Housing Can Down the Road



COMMENTARY

Gary H. London

There are multiple San Diegos, a fact that I am reminded of when I receive visitors to my downtown office who live and work in North County. Frequently they remark how they seldom visit downtown. They

don't know the restaurants, the entertainment venues or the street scenes. Their "world" is mostly North County with its high-technology concentrations and upscale residential communities.

Very little of the downtown redevelopment renaissance, which has now resulted in excess of 25,000 housing units and a plethora of commercial and entertainment venues, has captured their interest.

Some of our lives are, indeed, informed by urban life, especially downtown. It's an ideal place for certain segments of the population, particularly if you value an urban lifestyle and the confluence of urban amenities.

But most San Diegans have lives that revolve around other realities. It's evident in the population counts: There are 3.1 million residents in this county. Perhaps 30,000 people have their primary residence downtown. There is 110 million square feet of office space in the region, yet only 13 million square feet are downtown. There is little contemporary manufacturing or technology space downtown.

Excepting the occasional visit to Petco Park for a ballgame, or a special night out, most people do not visit downtown.

The future of San Diego will most likely remain a network of villages with multiple nodes of employment and commercial centers. That is not going to change, nor should it.

The San Diego region is a diversity of lifestyles, communities, topographies and cultures. To prosper into the future, we need to accommodate them all.

Which draws me to something peculiar I recently read in the county of San Diego's General Plan Update "Fact Sheet," which cited the recent draft of the San Diego Association of Government's 2050 Forecast and stated that "there is sufficient capacity in the County's General Plan Update for growth beyond 2050." Therefore, there is little rationale for adding additional growth capacity into the county's General Plan at this time.

Nothing could be further from the truth.

Forecasted Housing Shortfall

In fact, this recently issued SANDAG report forecasts the need for 122,000 total additional new housing units over the next 10 years alone. To get there, the organization added up the currently planned development capacity, or identified "opportunities," in cities and communities throughout the region. In other words, when SANDAG inventoried what's "on the books" and available, it found a theoretical capacity for 94,379.

Even assuming that SANDAG has it right, it's not so easy to accommodate 94,000 housing units. These units must be approved, and if so, there is still a shortfall of 27,455 as shown in the accompanying table.

Housing Units: Most Notable Long-Term Growth Assumptions

	Low	High
Urban Ring		
City Heights	10,453	11,958
Uptown	9,103	19,576
Kensington	2,445	2,894
Normal Heights	2,456	3,030
North Park	9,884	17,003
Golden Hill	1,997	3,701
Subtotal	36,338	58,162
Mission Valley	10,765	12,337
Clairemont Mesa	4,937	11,286
College Area	7,258	12,036
Pacific Beach	3,476	11,929

Source: SANDAG

This table shows the long-term growth assumptions. Look at these big numbers. These represent SANDAG's assumption of redevelopment of utilized properties, which will occur, but will it occur to this capacity? Not likely. And the policy makers cannot rely on SANDAG's assumptions when there is a paradigm shift in growth and inventory (70 percent being multifamily and assuming people actually WANT that product).

companying table.

Upon closer examination, my own research suggests that many proposed projects have been downgraded or represent building types that are not likely to be feasible over the next decade. According to the **Marketpointe Realty Advisors** LandTracker database, the short-term supply, the next 10 years, of new housing units is projected to be approximately 70,000 to 75,000 units, suggesting an actual real shortage of 40,000 to 45,000 housing units.

A housing shortage is inevitable in the San Diego region if the SANDAG growth forecasts are anywhere near the mark. Past SANDAG forecasts for employment and population growth have proved quite accurate. Our region is likely to be a lead region of economic recovery in the U.S. As we recover, new employment opportunities will emerge. This sets the stage for additional population growth.

The problem is in the reconciliation of the forecasts and the prospective housing supply to accommodate this growth. Planners and policy makers cannot simply play the policy version of the children's game "kick the can" down the road.

It would be wrong to assume that everything is going to be built out according to plans. County politicians are cautioned not to rely on these SANDAG numbers, which are primarily forecasted for transportation planning only, and are not intended to serve as an excuse to stop planning. (We've written about this in more detail, as posted on our Web site at londongroup.com; see "No More (Green) Fields of Dreams.")

Housing Not Likely To Be Built

Let's come back to downtown to highlight the problem. During the robust 10-year period of 1995 to 2005, approximately 10,000 housing units were built in downtown San Diego. That is the sum total of all of those high-rises that have been constructed. Yet, SANDAG suggests that over the next 10 years an additional 15,000 housing units can be accommodated downtown in accordance with the downtown plan — and will actually be built!

Now, I am a big advocate of the importance of downtown to our region. But this projection is not going to happen. In fact, few condominiums will be built over the next three to five years, which means that once new downtown development is re-ignited, to accommodate this growth

projection, approximately 3,000 units per year would have to be built. And this would have to be mostly on downtown properties that arguably are not nearly as well located as those which have already been developed.

At its peak, 1,200 units were sold in downtown in a single year. Given this, it is unrealistic to assume that downtown housing development and sales are going to triple in the next decade.

Even more confounding are the projections in older, urbanizing communities. Take National City, a community that prepared carefully crafted plans to accommodate downtown high-rises. Yet none were built, even in the halcyon years leading up to the crash of 2005. SANDAG duly reports the National City next 10-year housing capacity to be 3,400 units.

There is a big space between "capacity" and "reality."

The other accompanying table demonstrates the most notable long-term growth assumptions, highlighting the older ring of city of San Diego communities. For instance, the table demonstrates that Clairemont Mesa is projected to add between 4,937 and 11,286 housing units during the next 10 years. During this same time span until now they have added perhaps a few hundred, largely due to community and political resistance. The growth should be accommodated, but realistically, it will not.

The SANDAG forecast raises the issue that if its growth projections are to be met, our region's cities and the county will have to better prepare to accommodate that growth. The reality is that anticipated growth in new housing units will likely fall far short of the actual demand for new housing. It is irresponsible for planners to abdicate, as apparently the county has by suggesting through its General Plan, that they need not participate in the future growth of San Diego.

Just as my infrequent downtown visitors reminded me, it is dangerous to be too downtown centric. The SANDAG projections for growth, and the requirement for new housing, cannot be realized with any single solution. The answer for our future growth is to embrace multiple development and redevelopment fronts.

To kick the can down the road is certainly not the solution.

Gary H. London is president of *The London Group Realty Advisors*, which provides real estate consulting and economic analysis. Check him out on the Web at londongroup.com.

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