

Unlocking the Affordable Housing Triangle: A Scalable Neighborhood-Based Approach to Solving Economic Homelessness in San Diego

Executive Summary

San Diego County faces a deepening affordable housing crisis. While much-needed progress is being made through large-scale developments by a number of affordable housing developers, these efforts alone cannot shoulder the full burden of the region's housing shortage—especially when approximately 85% of available land remains inaccessible to these types of developments due to zoning and regulatory constraints.

This whitepaper introduces the **Affordable Neighborhood Development (AND) Model**, a three-pronged framework designed to accelerate housing creation, preserve neighborhood character, and address the alarming rise of **economic homelessness**—a new and growing phenomenon rooted in the housing crisis itself. This model highlights the urgent need to integrate **light-touch infill development** into the regional strategy and proposes key funding and policy changes to make it viable at scale.

I. The Emerging Crisis: Economic Homelessness

San Diego's housing crisis has evolved. Today, many individuals experiencing homelessness are not chronically unhoused or disconnected from services—they are working individuals and families priced out of their communities. This shift, defined here as economic homelessness, is being driven by rising housing costs, stagnant wages, and a lack of modestly priced housing. Traditional solutions, while necessary, are not sufficient to address this rapidly expanding demographic.

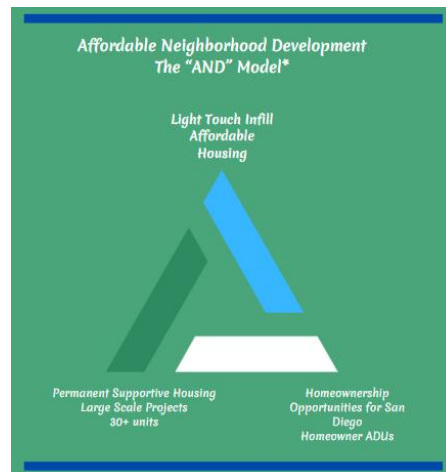
II. The Triangle of Affordable Housing Solutions

To meet the diverse and growing needs of the region, we must invest in a balanced housing strategy consisting of three interdependent components:

1. **Permanent Supportive Housing (PSH):** Large-scale developments (30+ units) offering housing and wraparound services for those with the highest needs.
2. **Light-Touch Infill Development:** Small-scale, scattered-site projects built by nimble developers leveraging state and local land use reforms, offering enhanced tenant services.

3. **Homeowner & Community Participation:** Empowering individual homeowners to create affordable units on their properties (ADUs, conversions) and split their lots beyond minimum lot size, while promoting community acceptance and neighborhood preservation. *See also, Homeownership Opportunities for San Diego.*

These three components form the **Affordable Neighborhood Development (AND) Model**, designed to deliver housing solutions across all levels of need and geography.



III. The Role of Light-Touch Infill Development

Light-touch infill development is a powerful yet underutilized tool in the fight against economic homelessness. Unlike large developments, these projects:

- Use existing parcels within established neighborhoods
- Focus on preservation and enhancement rather than replacement
- Operate with quicker timelines (under 2 years from acquisition to completion) and significantly lower costs (currently less than \$200,000 / unit)
- Units are self-sustaining following construction, requires no further capital investment
- Integrate into the fabric of the community, minimizes neighborhood disruption
- Often house people who already live and work nearby

This model unlocks housing units without the delays, displacement, and massive capital required by larger developments. The scatter-site approach minimizes project and capital risk.

IV. The Bottlenecks: Funding & Timelines

Despite its promise, light-touch infill affordable development faces two major obstacles:

- **Funding Access:** Most public and private grant programs require site control and extended lead times—criteria that often conflict with the rapid deployment timelines typical of infill development. Currently, there is no dedicated public grant funding available for this type of affordable housing, and infill development is notably absent from the City of San Diego’s Community Action Plan on Homelessness, a joint effort by the City of San Diego, the San Diego Housing Commission, and the Regional Task Force on Homelessness.
- **Policy Misalignment:** Current funding models favor large projects, overlooking the cumulative impact of many smaller developments.

To scale this approach, we must develop funding mechanisms that treat nonprofit or mission-driven infill development more like for-profit venture funding—fast, flexible, and based on proven capacity.

V. Empowering Homeowners & Neighborhoods

Homeowners can and should be part of the solution. With the right incentives and support, they can:

- Add ADUs or convert garages into affordable units
- Allow for lot splits removing some minimum lot size restrictions
- Supplement household income
- Age in place more comfortably
- Provide housing that integrates seamlessly into the neighborhood

This also requires engaging communities to understand and support the role of small-scale affordable housing in preserving their character and resilience.

VI. Recommendations

To effectively implement the Affordable Neighborhood Development Model, the following steps are recommended:

1. **Create a dedicated funding stream for light-touch infill affordable housing projects**, with criteria adapted to their unique timelines and scale.
 2. **Develop a regional infill affordable housing initiative** within the CoC to identify opportunity sites and support nonprofit participation.
 3. **Launch a homeowner support program** for ADUs, small conversions and lot splits, with technical, financial, and design assistance.
 4. **Incentivize integration and equity**, ensuring projects promote community preservation and serve those most at risk of economic homelessness.
 5. **Adopt a shared measurement framework** that recognizes the value of small, fast, community-embedded housing solutions.
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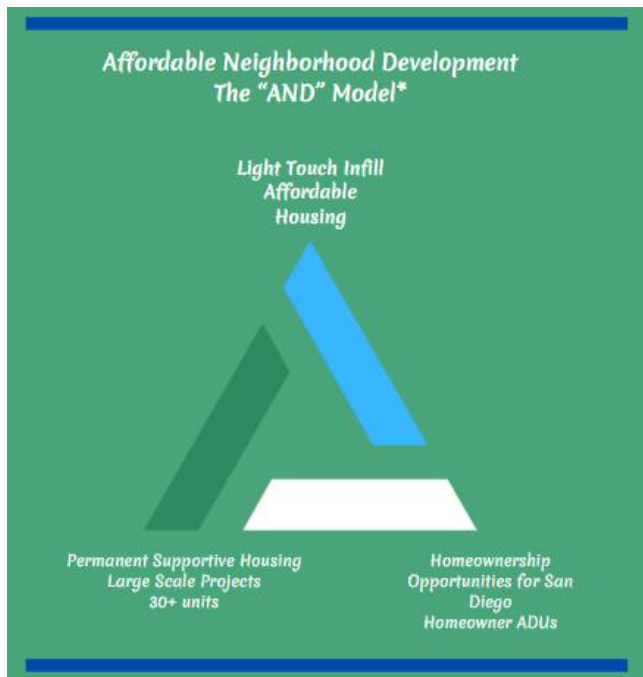
VII. Conclusion

San Diego cannot afford to rely solely on large-scale developments to solve a crisis that touches every neighborhood. The light-touch infill affordable development community has the tools, speed, and local knowledge to address the urgent needs of the 85% of land currently untapped by traditional affordable housing strategies. By unlocking funding, policy, and community support for these approaches, we can stabilize neighborhoods, preserve affordability, and stem the tide of economic homelessness before it becomes a defining feature of our region.

By recognizing and supporting light-touch infill affordable developers, San Diego can create a more diverse and sustainable affordable housing landscape that addresses the multifaceted challenges of the housing crisis. Their ability to leverage infill sites, utilize ADU laws, and integrate into neighborhoods makes them an invaluable part of a comprehensive solution to homelessness and housing instability. These developers provide not only affordable housing but also foster stronger, more cohesive communities, preserving the unique character of neighborhoods while addressing urgent housing needs.

Visuals:

1. Affordable Housing Model Diagram:



2. San Diego Housing Shortage Chart:

	Needs 2023 - 2029	Resources Added 2023-2025	Remaining Needs
Crisis Response Beds	465 – 930 beds	+185 beds	280 – 745 beds
Safe Sleeping/Safe Parking	Not Identified	+813 resources	N/A
Rapid Rehousing	3,080 units	+291 beds/units	2,789 beds/units
Supportive Housing	3,520 units	+574 beds/units	2,946 beds/units
Diversion	2,700 resources annually	+893 resources (489 one-time funding)	2,296 resources annually
Prevention	2,025 resources annually	+878 resources	1,147 resources annually
Total Estimate	11,810*	3,634*	9,691*

* Total uses midpoint of crisis response range.

***Data from Community Action Plan on the Homelessness for the city of San Diego, a joint effort by the City of San Diego, the San Diego Housing Commission, and the Regional Task Force on Homelessness.**

3. Cost of Current Funding Strategies:

	Average Cost* per Bed/Unit
Crisis Response Beds	\$67 - \$72/bed/night (\$24,455 - \$26,280 annually)
Rapid Rehousing	\$25,040 per household annually (operating costs)
Supportive Housing	\$33,000 per unit annually (operating costs) \$294,852 - \$529,168 (capital costs)
Diversion	\$5,431 per household
Prevention/HIPP	\$4,235 per household/\$12,946 per household annually

*Cost estimated based on current trends observed in SDHC-administered programs in FY2024 and FY2025

**Data from Community Action Plan on the Homelessness for the city of San Diego, a joint effort by the City of San Diego, the San Diego Housing Commission, and the Regional Task Force on Homelessness.*

Compared to:

- Light Touch Infill Development Average Cost per unit is \$194,000 in capital cost
- Rents for Rise Up Residential and Housing Disruptor Collaborative units are 100% affordable at an AMI between 30% and 60%, no higher than 80% for any unit

Appendix A:

Light-touch infill developers, typically handling projects of 5 to 22 units, play a pivotal role in addressing the affordable housing crisis in San Diego for several compelling reasons:

1. **Agility and Efficiency:** Light-touch infill developers exhibit greater agility and efficiency compared to larger counterparts. Their projects can often be completed in a shorter time frame, typically under two years, allowing for a more rapid response to the pressing need for affordable housing. This is crucial in times of housing shortages and when swift deployment is necessary.
2. **Utilization of ADU Laws:** Light-touch infill developers are adept at leveraging the current favorable Accessory Dwelling Unit (ADU) laws, commonly known as infill development. This proficiency enables them to optimize existing structures and available land, maximizing housing output at a lower cost. By tapping into infill spaces and existing properties, they increase housing stock in a cost-effective manner.
3. **Cost-Effectiveness:** The cost per unit for light-touch infill developments is notably more affordable, often averaging around \$200,000 per door. This affordability is critical in creating housing solutions that cater to a broader spectrum of the population, especially those with moderate incomes who may not qualify for subsidized housing but still cannot afford market-rate rents.
4. **Community Integration:** Light-touch infill developers focus on smaller-scale, neighborhood-centered projects that blend seamlessly into existing communities. This emphasis on community integration helps preserve the unique character of neighborhoods and fosters a sense of belonging among residents. Rather than disrupting or displacing local residents, these developments help neighborhoods evolve in a way that maintains their charm and cohesion. An engaged community is crucial to solving the housing crisis and avoiding project delays. Large developments often face pushback due to their impact on the community's appearance. In contrast, light touch infill development integrates into neighborhoods by preserving their original look and feel while increasing density.
5. **Scatter Site Approach:** Smaller individual development sites offer the opportunity to test new technologies, green features, and innovations on a small scale. Delays and risks, including weather, on one site don't impact the overall portfolio, providing risk mitigation. Projects go through city plan check quickly given we work within base zoning requirements.
6. **Enhanced Tenant Services:** The Housing Disruptor Collaborative and Rise Up Residential, two nonprofits that support Affordable Housing in San Diego provide supportive

programs and resources that go beyond providing housing, aimed at improving residents' quality of life. These include on-site services such as job training, financial literacy, health and wellness programs, childcare support, and case management—designed to promote stability, self-sufficiency, and long-term housing success.

7. **Addressing Land Constraints:** In San Diego, where available land for large-scale developments is limited, light-touch infill developers are well-suited to navigate spatial challenges. They effectively utilize smaller parcels and infill spaces, optimizing land resources and making it possible to build affordable housing in areas that larger developments may overlook. These smaller-scale projects help alleviate pressure in land-constrained areas.
8. **Diverse Housing Options:** Light-touch infill developers contribute to diversifying housing options in terms of size and affordability. By focusing on moderate-sized projects, they cater to a range of household sizes and income levels, promoting inclusivity within the housing market. This diversification helps meet the needs of various demographic groups, from single professionals to families, ensuring a broader mix of affordable housing options, including Shared Housing.
9. **Complementing Larger Developments:** While large-scale developers are essential in building permanent supportive housing (PSH) projects, light-touch infill developers act as complementary agents. They fill gaps in the housing market that might be overlooked by larger projects, ensuring a more comprehensive solution to the housing crisis that addresses the needs of people at different income levels.
10. **Easily Leverage Investment with Financing:** Due to the scale and nature of these projects—typically utilizing residential lots—there are multiple financing options available. Nonprofit affordable housing developers, such as Rise Up Residential and the Housing Disruptor Collaborative, are able to secure funding that covers approximately 50% of total project costs, significantly reducing the capital required from funders.

Authored by: Amanda Noeldechen
Founder, Housing Disruptor Collaborative

