

**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:



Clerk of the Board of Supervisors
123 E. Anapamu Street, #202
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: August 25, 2020
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director
Director(s) (805) 568-2485
Contact Info: Dinah Lockhart, Housing and Community Development Division
(HCD/CSD) Deputy Director
(805) 568-3523

SUBJECT: County Inclusionary Housing Ordinance – 2020 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements

County Counsel Concurrence

As to form: Yes

Planning and Development:

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a 2020 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements, which provides the Board with (1) an annual update and adjustments to the County’s in-lieu inclusionary housing fees, and (2) an update and adjustments of the County’s inclusionary housing requirements; and

- B. Determine that the receipt and filing of annual updates and adjustments to Inclusionary Housing Requirements and In-Lieu Inclusionary Housing Fees are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guideline section 15061(b)(3), finding that the activities are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and where it can be seen with certainty that there is no possibility that the activities in question may have a significant effect on the environment, the activities are not subject to CEQA.

Summary Text:

The County’s Inclusionary Housing Ordinance, Ordinance No. 4855 (IHO) directs that a report on the County’s inclusionary housing requirements with any necessary revisions and the annual in-lieu inclusionary housing fees with any needed adjustments be received and filed by the Board, which will be effective as of the date of the hearing on this item (the IHO does not require the Board to approve the adjustments to the 2020 inclusionary housing requirements or the 2020 in-lieu fees). The IHO was codified under County Code Chapter 46A. The IHO allows developers to satisfy the County’s inclusionary housing requirements by paying in-lieu fees instead of providing affordable housing units on-site. Projects located within the Cuyama Housing Market Area (HMA) are exempt from inclusionary housing requirements as provided in Section 46A-3 of the Inclusionary Housing Ordinance.

Due to increases in the median sales prices of condominiums in each HMA between 2019 and 2020, two adjustments were made: 1) The In-lieu fee amount for each HMA was increased (Table 2), and 2) Requirements to produce affordable housing or pay the in-lieu fee were waived for FY 2020 in the Moderate and Workforce categories for the Santa Maria and Lompoc HMA’s, and waived for the Workforce category in the Santa Ynez HMA (Table 1) as the median home prices in those areas were deemed affordable.

Background:

The IHO requires new residential projects with five or more units to construct a percentage of the units as affordable housing units. The IHO affords developers the option of satisfying the inclusionary housing requirements by paying fees in lieu of providing affordable units on-site. In-lieu fees are deposited in the County’s Housing Trust Fund and used to fund the development or rehabilitation of very low- and low-income housing, special needs housing, and housing for seniors and veterans, and to assist non-profit organizations and other governmental agencies to provide or preserve affordable housing in the County. The adjustments to the 2020 in-lieu fees are based on data from the most recent condominium sales activity in 2019, which the Community Services Department (CSD) obtained from the County Assessor’s Office. In-lieu fees are reviewed and updated annually by the County’s CSD as required by the County’s IHO.

Inclusionary Housing Requirements:

Section 46A-6(a) of the IHO provides for CSD to annually review inclusionary housing requirements (Attachment A). For any given year, inclusionary housing requirements for moderate and/or workforce household income categories may be waived entirely by the County when the median sales price of all housing units in each non-exempt Housing Market Area (HMA) over a twelve-month period is determined to be ‘affordable’ to either moderate and/or workforce income categories.

To determine affordability, the following factors are considered when calculating the monthly housing payment, including principal, interest, taxes, property insurance (PITI) for the median home sales price in each Housing Market Area (HMA) (Attachment B):

1. Thirty-year loan term with a fixed rate and five percent down payment;

2. Average annual percentage rate (APR), as reported by the Federal Home Loan Mortgage Corporation (Freddie Mac) over twenty-four weeks of Weekly Primary Mortgage Market Survey® (PMMS®) results for a thirty-year fixed rate mortgage term;
3. Closing costs based on the average points and/or fees, as reported by the Federal Home Loan Mortgage Corporation (Freddie Mac) over twenty-four weeks of Weekly Primary Mortgage Market Survey® (PMMS®) results for a thirty-year fixed rate mortgage term;
4. Annual property tax based on one and two-tenths percent of median home sales price; and
5. Property Insurance based on seven-tenths of one percent of median home sales price.

The overall median sales prices for condominiums in all 4 HMA’s increased in 2020 over 2019. As a result, adjustments were made to the Inclusionary Housing requirements and In-Lieu fees after review of median home sales that occurred in the calendar year of 2019.

Inclusionary Housing Requirements (see Table 1)

- Inclusionary housing requirements for the Lompoc HMA for the moderate and workforce income household categories are waived for FY 2020 as the median home price is deemed affordable, using the factors identified above.
- Inclusionary housing requirements for the Santa Ynez HMA for the workforce housing income household category are waived for FY 2020, as the median home price is deemed affordable based on the factors identified above.
- Inclusionary housing requirements for the Santa Maria HMA for the moderate and workforce housing income household category are waived for FY 2020 as the median home price is deemed affordable based on the factors identified above.

The adjustments to the Inclusionary Housing Requirements were based on home sales price records for each HMA over a twelve-month period as recorded by the County Assessor. The results of the 2020 Annual Adjustment of the Inclusionary Housing Requirements are shown below in Table 1:

TABLE 1 - Housing Requirements for the Inclusionary Housing Ordinance FY 2020-2021

Housing Market Area (HMA)	Very Low	Low	Moderate	Workforce	Total Inclusionary Housing %
South Coast	2.5%	2.5%	5%	5%	15%
Santa Ynez	2.5%	2.5%	5%	0%	10%
Santa Maria	2.5%	2.5%	0%	0%	5%
Lompoc	2.5%	2.5%	0%	0%	5%

In-Lieu Fees (see Table 2)

1. *Low and Very-Low Income Category.* In-Lieu Fees for 2020 are: \$176,200 for the South Coast HMA (an increase of \$2,400 from 2019); \$96,600 for the Santa Maria HMA (an increase of \$4,200 from 2019); \$146,200 for the Santa Ynez HMA (an increase of \$5,100 from 2019) and \$99,500 for the Lompoc HMA (an increase of \$3,900 from 2019).

2. *Moderate and Workforce Income Category.* In-Lieu Fees for 2020 are: \$658,300 for the South Coast HMA (an increase of \$8,900 from 2019); \$248,000 for the Santa Maria HMA (an increase of \$10,800 from 2019); \$431,600 for the Santa Ynez HMA (an increase of \$15,000 from 2019) and \$227,600 for the Lompoc HMA (an increase of \$8,900 from 2019). The Santa Maria and the Lompoc HMA’s do not require in-lieu fees for the Moderate and Workforce income categories, and the Santa Ynez HMA does not require in-lieu fees for the Workforce income category for the year of 2020.

Section 46A-6(b) of the IHO specifies that the in-lieu fees for the very low- and low-income categories be updated based on the percent change in the median sales price of condominiums in each HMA over a 12-month period. In addition, Section 46A-6(b) specifies the in-lieu fee for the moderate and workforce income categories are updated based on the estimated cost to build a housing unit, calculated as the median sale price of condominiums in an HMA over a 12-month period less 15%, which represents developer profit. HCD continues to work closely with the County Planning and Development Department to evaluate the effectiveness of the IHO policies and the Inclusionary Housing Ordinance, adopted in 2013.

The tables below show how recent sales effect the in-lieu fees.

- **Table 2** shows the in-lieu fees for 2020 compared to 2019.
- **Table 3** provides greater detail on how the percentage change in condominium sales prices between 2018 and 2019 impacts the calculation of in-lieu fees for ‘very low and low’ income units.
- **Table 4** provides greater detail on calculation of in lieu fees for Moderate and Workforce units, which uses the 2019 median sales price of condominiums as the baseline, from which 15% of the sales price is the incremental increase between 2019 and 2020 In Lieu fees.
- **Table 5** provides a historical analysis of condominium sales by Housing Market Area.

TABLE 2 - In-Lieu Fees for the Inclusionary Housing Ordinance

Housing Market Area (HMA)	2019 Very Low & Low	2020 Very Low & Low	2019 Moderate & Workforce	2020 Moderate and Workforce
South Coast	\$173,800	\$176,200	\$649,400	\$658,300
Santa Maria	\$92,400	\$96,600	\$237,200	\$248,000
Santa Ynez	\$141,100	\$146,200	\$416,600	\$431,600
Lompoc	\$95,600	\$99,500	\$218,700	\$227,600

TABLE 3 - In-Lieu Fees for Very Low and Low Units based on % change in median sales price of condominiums

HMA	2018 Median Sales Price of Condominiums	2019 Median Sales Price of Condominiums	%Change	2019 In-Lieu Fee	2020 In-Lieu Fee	\$ Change
South Coast	\$763,990	\$774,523	1.38%	\$173,800	\$176,200	+\$2,400
Santa Maria	\$279,000	\$291,750	4.57%	\$92,400	\$96,600	+\$4,200
Santa Ynez	\$490,092	\$507,766	3.61%	\$141,100	\$146,200	+\$5,100
Lompoc	\$257,295	\$267,750	4.06%	\$95,600	\$99,500	+\$3,900

TABLE 4 - In-Lieu Fee Update for Moderate and Workforce Units based on % change in median sales price of condominiums

HMA	2019 Median Sales Price of Condominiums	15% of Median Sales Price of Condominiums	2020 In-Lieu Fee	2019 In-Lieu Fee	\$ Change
South Coast	\$774,523	\$116,178	\$658,300	\$649,400	+\$8,900
Santa Maria	\$291,750	\$43,763	\$248,000	\$237,200	+\$10,800
Santa Ynez	\$507,766	\$76,165	\$431,600	\$416,600	+\$15,000
Lompoc	\$267,750	\$40,163	\$227,600	\$218,700	+\$8,900

TABLE 5 - Median Condominium Sales Price by HMA, 2010-2019. Sales price data is released in July of the following year.

Year	HMA			
	South Coast	Santa Maria	Santa Ynez	Lompoc
2010	\$477,292	\$168,257	\$232,884	\$181,355
2011	\$474,351	\$134,000	\$255,000	\$180,000
2012	\$415,000	\$139,740	\$241,867	\$123,050
2013	\$487,704	\$187,500	\$310,000	\$120,544
2014	\$573,738	\$204,200	\$383,591	\$188,696
2015	\$675,141	\$218,278	\$359,281	\$186,000
2016	\$661,980	\$240,310	\$400,000	\$208,000
2017	\$665,951	\$259,590	\$465,000	\$249,000
2018	\$763,990	\$279,000	\$490,092	\$257,295
2019	\$774,523	\$291,750	\$507,766	\$267,750

Uses of In-Lieu Fees for the Production of New Housing

Section 46A-6(b) of the IHO provides for CSD to annually report to the Board on the status of in-lieu inclusionary housing fees paid pursuant to section 46A-4(b) and affordable housing and special needs housing activities undertaken with the In-Lieu Inclusionary Housing Fees.

In-lieu fees balances as of June 30, 2020 are shown in the table below:

HMA	BALANCE
South Coast	\$7,086
Santa Maria	\$457,056
Lompoc	\$46,321
Santa Ynez	\$301,616
Unrestricted	\$379,940
TOTAL	\$1,192,019

The projects below are the most recent housing projects that were partially funded with in-lieu fees.

- Residences at Depot Street, funded in 2018, was constructed in two buildings; the first building was fully occupied in July 2020 and the second building is currently being leased up.
- Sierra Madre Cottages, funded in 2019, is expected to be completed and leased up this fall.
- Sawyer Avenue Homes, funded in 2017, was completed and units sold to qualifying buyers in 2019. The homes provided homeownership opportunities for 14 people, including 8 children.

Project	Population	Developer	HOME Funds	In-Lieu Funds	Total Dev. Costs
Residences at Depot Street, Santa Maria	78 units for formerly homeless persons and 2 managers' units	County Housing Authority	\$1,994,459 (Includes \$186,342 in Santa Maria HOME funds)	\$1,178,978	\$37 million
Sierra Madre Cottages, Santa Maria	39 units for low-income seniors and 1 manager's unit	Peoples' Self-Help Housing Corp.	\$1,114,988 (Includes \$349,107 in Santa Maria HOME funds)	\$285,012	\$23 million
Sawyer Ave. Homes – Homeownership units, Carpinteria	3 homeownership units for very-low income families	Habitat for Humanity of Southern Santa Barbara County		\$300,000	\$1.8 million

Impacts:

Budgeted: Yes

Any change of the in-lieu fees or the annual adjustment of the inclusionary housing requirements will impact the amount which will be collected by the County and allocated to future affordable housing projects.

Special Instructions:

Return a copy of the Minute Order by email to Andrew Kish, akish@sbccsd.org

Attachments:

Attachment A – Inclusionary Housing Ordinance No. 4855

Attachment B – Inclusionary Requirement Calculations for FY 2020

Authored By:

Andrew Kish, Housing Program Specialist, Sr.

CC:

Lisa Plowman, Director, Planning and Development