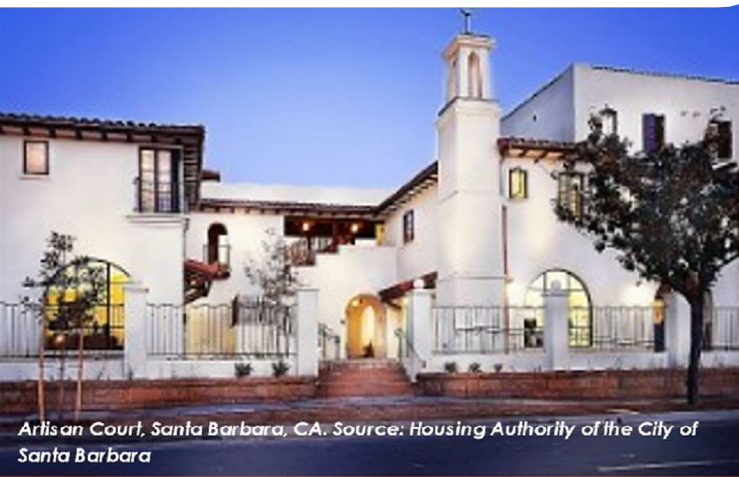


STRATEGIC IMPLEMENTATION PLAN



Artisan Court, Santa Barbara, CA. Source: Housing Authority of the City of Santa Barbara



Villa La Esperanza, Goleta, CA. Source: Peoples Self -Help Housing



Rendering of proposed development, The Orchard in Goleta, CA. Source: The Oak Creek Co.



Workforce Housing Study

Community Services
Department



The solution to increasing the availability of affordable workforce housing in Santa Barbara County is not a single- threaded effort.

Instead, it is a puzzle with each piece crucial to the overall picture.

The Santa Barbara-Santa Maria area ranks fifth in housing costs across California¹, leaving many residents in unstable living situations. According to the County's 6th Cycle Housing Element, 39% of households in unincorporated Santa Barbara County are cost-burdened (households paying more than 30% of gross income on housing expenses). The sentiment across these data points and others explored throughout this document indicates a dire need for affordable workforce housing for the residents of the County.

Recognizing the urgency of the matter, the County of Santa Barbara retained Harris & Associates ("Harris") to perform a comprehensive analysis of current County practices, and those undertaken by other similar jurisdictions, to assist in efforts to boost housing stock. Critically, Harris was tasked with evaluating the viability of County-owned properties as locations where workforce housing could be constructed.

Harris evaluated the community's needs to identify the level of affordability applicable to the workforce income across all area median income (AMI) levels, followed by a review of County programs and practices along with those employed by similar jurisdictions who have successfully increased their stock of affordable workforce housing. Their evaluation included a rigorous series of stakeholder outreach, spanning nine sessions, with developers, housing advocates, and school districts to gain direct insight regarding the needs and opportunities for solutions that exist both within and outside the County.

This analysis identifies a core group of implementation actions:

- Update Inclusionary Housing Ordinance to Enhance the Stock of Workforce and Affordable Housing
- Expedite Implementation of 6th Cycle Housing Element Programs
- Revise the Short-Term Rental Ordinance
- Pursue Prohousing Designation
- Pursue Partnerships with Private Equity Firms
- Consider Establishing a Community Land Trust

Together, these implementation actions support and enhance one another, forming a cohesive and effective framework that leverages the strengths of existing policies and programs as well as those to be implemented. Like assembling a puzzle, every piece must be correctly aligned to create a successful and complete outcome, ensuring affordable housing is accessible for all workforce levels throughout the County.

¹ Santa Barbara Foundation's 2023 Housing Affordability report



Santa Barbara County Courthouse. Source: Noozhawk/Tom Gunter

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INTRODUCTION



Santa Barbara County, like many regions across California, faces a pressing need for affordable workforce housing. This issue affects residents, employers, and the overall economic health of the community. As housing costs continue to rise, many workers find themselves priced out of the local housing market, which not only strains families but also disrupts the workforce and regional economies. While nearly all California jurisdictions grapple with regulatory barriers, escalating construction costs, and limited land availability, Santa Barbara County faces additional challenges unique to its geography, economy, and population dynamics. One of the primary challenges affecting all California jurisdictions is the state's chronic affordable rental and ownership housing shortage.

Strict zoning laws, environmental regulations, and limited financial resources make it difficult for developers (both nonprofit and private) to build new housing, particularly units affordable to very low, low, and middle-income earners. The high cost of land and labor further compounds the issue, pushing new developments into higher price ranges, out of reach for many in the workforce who are critical to local economies and infrastructure. The Study begins with a general discussion of the issues, along with funding approaches, followed by a detailed presentation of each subject in the accompanying appendices.



Santa Barbara County, however, faces its own set of unique obstacles. As a coastal community, it has limited developable land due to geographical constraints like mountains, coastal preservation areas, and agricultural land. The County's high cost of living, driven by its desirability as a destination for tourism and second-home buyers², exacerbates the housing affordability crisis. Additionally, local industries such as agriculture, healthcare, education, and hospitality, which rely heavily on lower- to moderate-income workers, are disproportionately affected by the lack of affordable workforce housing.

The workforce in need of housing in Santa Barbara County spans a wide range of professions. They include teachers, healthcare workers, public safety officers, retail employees, hospitality staff, and agricultural workers—individuals essential to a functioning community. Many of these workers earn incomes too high to qualify for typical affordable housing programs like Section 8 Housing vouchers and access to public housing projects or Low-Income Housing Tax Credit developments, but too low to afford market-rate housing.

Addressing the County's workforce housing needs is crucial for sustaining its economy and ensuring local employees can afford to live where they work. It requires innovative solutions and coordinated efforts from local governments, private developers, and community organizations to overcome the various challenges.

The following study provides analysis, findings, and actions aimed at helping the County address the pressing need for additional workforce housing.

²<https://www.pacaso.com/blog/californias-hottest-second-home-markets>,
<https://lao.ca.gov/LAOEconTax/Article/Detail/130#:~:text=Vacation%20Homes%20Have%20Been%20Growing.recent%20growth%20of%20vacation%20homes>

ABOUT THE STUDY



Bradley Studios at 512 Bath St., Santa Barbara CA. Source: HACSB.org

The County of Santa Barbara is committed to addressing the critical need for workforce housing through comprehensive and strategic recommended action steps. This study is the culmination of extensive stakeholder engagement, involving key community members, developers, local businesses, and housing experts, along with a deep analysis of the community's needs. This thorough examination then informs the development of specific implementation actions designed to enhance workforce housing initiatives and address unique challenges and opportunities within the County.

By leveraging these insights and fostering continued stakeholder collaboration, the County will create sustainable housing solutions that support the economic vitality and well-being of the community. The following provides an in-depth discussion of the key areas of analysis used to help inform this study.

WHAT INFORMED THE STUDY?



**Community
Need**



**Stakeholder
Outreach**



Analysis

COMMUNITY NEED

With housing costs among the highest in the State, Santa Barbara County is experiencing widespread housing affordability challenges amongst its workers. The County's need for additional workforce housing is evident in the data points below:

Median income

Per 2024 State Income Limits, the median income for a 2-person household is \$95,300 and a 4-person household is \$119,100.

Median Rent

According to Zillow, the County-wide median monthly rent across all home types / sizes was \$3,304 as of May 2024³.














³Median rent as of May 31, 2024 according to Zillow (<https://www.zillow.com/research/data/>). Data accessed June 24, 2024

Cost Burden

39% of households in unincorporated Santa Barbara County are cost-burdened according to the County's 6th Cycle Housing Element (households paying > 30% of gross income on housing expenses).

Regional Housing Needs Allocation

Unincorporated Santa Barbara County's Regional Housing Needs Allocation includes 5,664 total units (68% Affordable), including 1,373 Very Low Income units, 1,200 Low Income units, and 1,280 Moderate Income units.

Workforce Housing Income					
Workforce Category	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate "Missing Middle" Income
Area Median Income %	< 30%	30% - 50%	51% - 80%	81% - 120%	121% - 200%
Household Income (<= 4 people) ¹	< \$48,800	< \$81,300	< \$130,350	< \$142,900	< \$238,200
Occupation Examples ²	 Agriculture workers			 Architects	
	 Retail workers			 Engineers	
	 Hospitality workers			 Public Safety Workers	
	 Teachers			 School Principals	
	 Nurses			 Doctors	
	 Firefighters				
	 Public Administration				
	 Law Enforcement				

³<https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf>



STAKEHOLDER OUTREACH

During preparation of the Workforce Housing Study, several key stakeholder meetings gathered insights related to workforce housing development throughout the County.

Of the 70 organizations invited to participate, **15 took part in nine meetings held throughout late April 2024 through early August 2024.**



DEVELOPERS

- Harris and the County convened meetings with multiple housing developers and advocates in Santa Barbara County, including representatives from the **Santa Barbara Foundation, Housing Trust Fund of Santa Barbara County, Habitat for Humanity of Southern Santa Barbara County, People's Self Help Housing Corp., and Urban Planning Concepts, Inc.,** and Frank Thompson Housing Consultants. Additionally, they met with Snyder Langston, a construction firm established in 1959, known for developing various housing projects in Southern California. One such project, the Bella Riviera developed for Cottage Hospital in Santa Barbara, was highlighted as a key case study in Employer Sponsored Housing Models for Replication memorandum. This project provided valuable insights into effective strategies and potential challenges faced by developers when constructing workforce housing in the area.
- Harris hosted a follow-up outreach meeting with key developers to assess the redevelopment potential of selected County-owned sites for affordable workforce housing. The meeting included representatives from various organizations such as **People's Self-Help Housing Corp., Urban Planning Concepts, Inc., Snyder Langston, The Oak Creek Company, and both the Housing Authorities of the County and City of Santa Barbara.** Developers provided insights on the viability of specific sites and identified barriers, as well as suggesting initial steps to garner developer interest in these opportunity sites.

HOUSING AND COMMUNITY ADVOCATES

- Harris and the County collaborated with the **Housing Authority of the County of Santa Barbara and the Housing Authority of the City of Santa Barbara** discussing better way to increase the availability of affordable housing to low-income residents. They also interacted with the **League of Women Voters of Santa Barbara**, who shared data on housing needs and proposed strategies for improving workforce housing. In a meeting with the **Coastal Housing Partnership**, insights were gained into how large employers view and can influence workforce housing initiatives. Additionally, discussions with the **Santa Barbara South Coast Chamber of Commerce** centered on the impact of housing issues on business operations, specifically addressing affordability, accessibility, and effects on employee recruitment and retention.



SCHOOL DISTRICTS

- Harris and County representatives met with leaders from school districts to address the pressing need for workforce housing for school district employees. The discussions highlighted the particular interest of very low-income 'classified' employees, such as bus drivers, meal service staff, paraeducators, and custodians, in finding affordable housing. These insights led to a strategic adjustment in the definition of 'Workforce' Income levels for rental housing eligibility, expanding it to 30%-120% of the area median income. This change aims to better align housing opportunities with the needs of these essential community members.

STAKEHOLDER OUTREACH – KEY THEMES

Stakeholder outreach played a crucial role in shaping the study and recommended actions.

Engaging with employers, school districts, housing advocates, and developers provided valuable insights into the unique needs and challenges of the workforce. Feedback from these stakeholders helped to inform the actions identified in the next section of the study, ensuring action items are tailored to meet workforce housing needs and representative of practical and reasonable actions that can be taken on the part of the County.

Key points of discussion used in the various stakeholder meetings including:

- Market Demand & Feasibility
- Workforce Housing Needs
- Development Strategies to Increase Workforce Housing Development
- Barriers to Workforce Housing Development
- Strategies for Partnerships and Collaboration
- Long-Term Impact & Vision
- Innovative Financing and Incentives
- Policy and Advocacy
- Community Engagement
- Long Term Stewardship
- Regulatory and Policy Considerations
- Employer Support

- Housing costs in Santa Barbara County affect workers at all income levels.

High Housing Costs Across All Worker Income Levels



- Housing affordability issues affect employee recruitment and retention in various industries, including education.

Housing Affordability Impact on Employers



- Employees have expressed interest in affordable and workforce housing opportunities however, they find the affordable housing process can be difficult to understand, particularly for non-native English speakers.

Affordable Housing Process Difficult to Understand



- Stakeholder meetings with developer organizations affirmed the workforce housing development process is complex and difficult to navigate.

Affordable Housing Process Difficult to Navigate



- Several aspects of the development process, including fees, environmental review requirements, design standards, and entitlements, were noted as barriers to workforce housing development.

Barriers to Development



- Developers would benefit from additional resources to help navigate the development process.

Developer Resources Needed



- Workforce and affordable housing developments would likely benefit from public-private partnerships and collaboration with local community leaders.

Public-Private Partnerships



THE ANALYSIS



Affordability Gap

- Assesses the disparity between current housing costs and the financial capacity of the local workforce, identifying key affordability challenges that hinder access to workforce housing.



Analysis of Existing County Programs and Model Program in Similar Communities

- Reviews the effectiveness of current County housing programs and examines successful workforce housing initiatives from similar communities to identify best practices that could be replicated locally.



Employer Sponsored Housing Models for Replication

- Evaluates various employer-sponsored housing models in California, exploring how these initiatives can be adapted and replicated within the County to create more affordable housing options for employees.



Funding Opportunities and Financing Resources

- Provides an in-depth look at available funding sources and financing mechanisms that can be leveraged by the County to support the development of new workforce housing projects.



Preservation and Retention of Affordable Housing Stock

- Focuses on strategies to preserve and retain existing affordable housing, ensuring that current workforce housing units are protected from market rate conversions or loss.



County Housing Opportunity Sites

- Examines leveraging County assets, identifying underutilized or strategically located properties that could be developed or redeveloped to expand the County's workforce housing stock.

This Study is driven by data insights from various analyses, that detail the housing challenges faced by the local workforce. An affordability gap analysis underscores the need to align housing costs with worker incomes, shaping policies to enhance affordability. The examination of existing programs and successful initiatives from similar communities informs strategies to improve local housing efforts through best practices. Innovations in employer-sponsored housing and funding opportunities identified will promote partnerships and financial solutions to drive development. Efforts to preserve affordable housing and identify new sites for workforce projects ensure the long-term availability and expansion of the County's affordable workforce housing stock.

AFFORDABILITY GAP – APPENDIX 2 SUMMARY

This study examines the Workforce Housing Affordability Gap within the County of Santa Barbara concerning rental and ownership housing. Workforce findings included:

- As of 2023, 70% of workers were classified as meeting Low, Very Low, or Extremely Low Area Median Income.
- During the period examined (2018-2023), Very Low Income employees increased by 40%, while the number of Above Moderate Income jobs increased by 15%.

Income Category	Affordability	Income Limit 2-person household	Income Limit 4-person household	Private Sector Employee ^{1 2}	County Employee ³
Extremely Low (< 30% Area Median Income)	Rental	\$39,050	\$48,800	Agriculture workers	Maintenance Worker Apprentice - Public Works
Very Low (< 50% Area Median Income)	Rental	\$65,050	\$81,300	Construction workers	Housing Program Specialist
Low (< 80% Area Median Income)	Rental	\$104,250	\$130,350	Life, Physical, and Social Science workers	SBUSD Custodial Services Manager ⁴
Moderate (< 120% Area Median Income)	Rental	\$114,300	\$142,900	Architecture and Engineering workers	Public Health Nurse - Social Services
Above Moderate/Missing Middle (< 200% Area Median Income)	Ownership	> \$114,300	> \$142,900	Legal professionals	Senior Deputy District Attorney

¹ Income categories for private sector and County employees are based on 2024 HCD Income Limits for a 2-person household.

² Median incomes by occupation for private sector employees obtained via Census.gov. At the time of the study, 2023 was the most recent year with American Community Survey (ACS) data available on Census.gov.

<https://data.census.gov/table/ACSST1Y2023.S2402?i=Occupation&q=050XX00US06083>

³ Santa Barbara County employee wages obtained from Government Compensation in California (GCC). At the time of the study, 2023 was the most recent year with GCC information available for County employee wages.

<https://gcc.sco.ca.gov/Reports/Countries/County.aspx?entid=42>

⁴ Santa Barbara Unified School District Food Services Site Manager wage information obtained from Santa Barbara Unified School District website, 2024-2025 salary schedules.

<https://resources.finalsite.net/images/v1727281015/sbunifiedorg/fwnfaqvqciaandvsaxn/ClassifiedManagement24-25.pdf>

AFFORDABILITY GAP FINDINGS



Rental

- Rents vary significantly across different Housing Market Areas (HMA) within the County and are highest in the South Coast Housing Market Area. The County is divided into five Housing Market Areas (Santa Maria, Lompoc, Santa Ynez, South Coast, and Cuyama).
- Per the 6th Cycle Housing Element, the majority of residents (approximately 50%) live in the unincorporated South Coast Housing Market Area, indicating a large housing need in that area.
- Households earning less than 120% of the 2024 Area Median Income struggle to afford the County's market-rate apartment rents.
- **Based on findings, the 'Workforce' income levels were redefined for rental housing to encompass households earning 30-120% of Area Median Income.**



Ownership

- Between May 2019 and May 2024, median home prices have increased by 61%, compared to a 50% increase in the County's median income during the same period. Home prices are highest in the South Coast Housing Market Area.
- **The annual income required to afford the County's median priced home is roughly 265% of the 2024 Area Median Income for a 2-person household.**
- Two to four person households earning 200% of the Area Median Income are unable to afford the County's median priced home.
- **Given the affordability gap, findings suggest the existing definition of 'Workforce income' is applicable to ownership housing at 121% - 200% of the area median income.**

ANALYSIS OF EXISTING COUNTY PROGRAMS AND MODEL PROGRAMS IN SIMILAR COMMUNITIES – APPENDIX 3 SUMMARY

This appendix, presents an analysis regarding the efficacy of existing County programs and identified model programs in similar communities. This analysis also includes assessing access to website visitors, both developers and residents, seeing affordable housing information.

Existing Housing Programs and Impact of Past Housing Programs

- Harris evaluated Santa Barbara County's housing programs, policies, and regulatory frameworks as presented on the County's website. Harris assessed the impact of past housing projects, emphasizing the need to expand efforts due to the growing need for affordable and workforce housing. Recommendations include rapid implementation of [programs outlined in the 6th Cycle Housing Element](#) (Program 5, Program 16, and Program 24). Harris recommends improvements to accessibility of information on the County's website for developers. Recommendations include:
 - **Revise the “For Developers”** landing page to provide additional sub-links for information on Opportunity Sites, County Owned Sites, Affordable Housing Regulations, Funding Opportunities, Development Impact Fees, and Affordable Housing Tools.
 - **Create a “For Property Owners”** subpage to provide information on deed restricting property and resources for property rehabilitation.
 - **Add “Workforce Housing” content to the existing “Affordable Housing” page** to provide information on Workforce Housing Programs, employer resources, and housing projects for County employees.

Model Programs in Similar Communities

Harris reviewed successful model housing programs in similar communities such as Napa, Sonoma, Marin, San Luis Obispo, and San Diego counties. Harris identified numerous replicable programs and projects in these communities:

- San Luis Ranch, San Luis Obispo County: including a “first preference” for County employees
- Oak Hill Apartments, San Rafael, Marin County: creating a new County and Santa Barbara County Education Office Joint Powers Authority to help further housing efforts for County staff, teachers, and school district staff, to utilize public-private partnerships, consideration of bond issuance to help fund projects, and other actions.

Policies to Incentivize Workforce Housing Development / Mitigate Existing Challenges

Harris analyzed challenges to workforce housing development, including factors like high land costs, limited infrastructure, strict zoning regulations, and economic constraints. Harris used these findings to identify policies that may help to incentivize development. Recommendations include the following:

- **Expedite Housing Element Programs Implementation.**
- **Update Inclusionary Study and Revise Inclusionary Housing Ordinance.**
- **Encourage the use of Public-Private Partnerships (PPPs) – Private Equity.**
- **Amend Zoning on Additional Properties Beyond the Housing Element Sites to Allow for By Right Development.**
- **Provide Incentives or Offer County Land Resources for Employers to Build Employee Housing.**
- **Explore the Creation of Community Land Trusts (CLTs).**
- **Provide 100% Density Bonuses (including alignment with Assembly Bill 1287) for Projects that Exceed Inclusionary Requirements.**
- **Improve Access to Information and Resources on the County Website.**

EMPLOYER SPONSORED HOUSING MODELS FOR REPLICATION – APPENDIX 4 SUMMARY

Harris analyzed sixteen successful workforce housing case study projects, identifying which of the projects had features that could be replicated in future Santa Barbara County workforce housing developments.

Private Equity Projects: Of the private equity projects, Harris found three to be replicable. Workforce housing has attracted private equity firms as it is a stable, long-term investment that can also help to achieve environmental, social, and governance (ESG) objectives for social impact-focused investment firms.

Affordable Housing Programs Sponsored by Local Employers: Harris identified several successful program models implemented by County employers, including Cottage Health System's Mortgage Assistance Program, Coastal Housing Partnership's Home Buying Benefit, Rental Assistance Benefit, and Rental Search Site programs.

Projects with Replicable Features: Nine projects were deemed replicable, including three in the City of Santa Barbara. All replicable projects are located in Southern California, and of the nine, three were Private Equity projects.

Harris provided several recommendations for the County to create effective workforce housing solutions and maximize the impact of available resources:



Sierra Madre Apartments



Inventory and Assessment of Land Assets

Recommendation: Maintain an inventory of developable land assets owned by the County and other public agencies to identify potential sites for workforce housing projects.

Public Subsidies

Recommendation: Leverage public subsidies, such as inclusionary housing fees, to help provide gap financing for workforce housing projects. These subsidies can bridge financial gaps and make projects more feasible, supporting the County's goal of expanding affordable housing availability.

Partnerships with Employers and School Districts

Recommendation: Engage with local school districts and employers interested in workforce housing for their employees, and offer additional support and resources. These partnerships can provide valuable insights and contribute to project success by addressing local workforce needs.

Identify Public Agency Partners

Recommendation: Proactively establish partnerships with school districts and other public agencies with local land assets that can potentially be used for workforce housing developments.

Public/Private Partnerships

Recommendation: Proactively engage with employers, investors, and private equity groups with the capital to invest in workforce housing projects. Identify the investment criteria of public equity/investors and employer resources to determine what additional resources can be combined to make a project feasible.

FUNDING OPPORTUNITIES AND FINANCING RESOURCES – APPENDIX 5 SUMMARY

Harris makes the following recommendations based on analysis of public and private funding opportunities and financing strategies for workforce housing development.

Santa Barbara County should pursue opportunities/strategies in which the County is an eligible applicant. Recommendations for different funding methods are outlined below:

- **Private Equity:** (1) Join or create a team alongside groups such as Chambers of Commerce and the UCSB Economic Forecast to develop relationships with private equity investors, (2) expand relationships by partnering with specific funders known for investing in affordable housing, (3) check the investment criteria of potential partners online and rule out those not fitting Santa Barbara County's qualifications, (4) schedule meetings with potential investors and create presentations that cater to their specific interests, utilizing help from local nonprofits for additional support, and (5) showcase Santa Barbara County at major housing industry events to network and attract investors.
- **Grant Funding Opportunities:** Apply for a Prohousing Designation to access additional grant opportunities and assess the County's eligibility for state and federal grants on an annual basis.
- **Joint Powers Authority (JPA):** Explore joining a Joint Powers Authority as a cost-effective way to increase the stock of affordable workforce housing, with the option to own the projects. The County should (1) engage in discussions with California Community Housing Agency to learn more about its Essential Housing Program and determine market-rate multifamily properties available for acquisition for middle-income housing, (2) consider joining a Joint Powers Authority to acquire after assessing costs to acquire and operate / financial feasibility, and (3) rehabilitate and impose rent restrictions.
- **Certification of Participation:** Engage with partners to discuss whether County land assets can be used for housing projects, including the use of a tax-exempt lease structure to finance the construction of public facilities or improvements.

The County should engage the developer community to pursue opportunities for which the County is not an eligible applicant, as most funding opportunities and financing strategies are only available to developers.

- **California Housing Finance Agency:** Mixed Income Program (serves 30%-120% of Area Median Income). Engage the developer community to identify potential partnerships/sites to use and assess qualifications before completing the application package.
- **National Equity Fund Workforce Housing Fund:** Initiate discussion with National Equity Fund to address ways the County can support new developments and utilize County-owned land, issuing a Request for Proposal after interest is demonstrated, working with the National Equity Fund to facilitate financing.
- **The 4% Low-Income Housing Tax Credit:** Engage with developers active in the region to discuss ways to encourage projects.
- **Non-Low-Income Housing Tax Credit Forward Commitment:** Engage with banks and investment entities regarding potential opportunities in the County for new developments or rehabilitation.

PRESERVATION AND RETENTION OF AFFORDABLE HOUSING STOCK – APPENDIX 6 SUMMARY

In this memorandum, Harris presents strategies and considerations for the preservation and retention of the County's affordable housing stock.

Deed Restricted and Unrestricted Units

Harris analyzed different types of **deed restricted units** (properties with legal restrictions to ensure affordability for specific income levels over a specified period), and **unrestricted or naturally occurring affordable units**, which are not legally restricted to certain income levels, but are more affordable due to age, condition, and/or location. When examining strategies to preserve affordable units, it is important to note whether the units in question are deed restricted, as well as the length of the affordability term.

Expedite or Revise Development Programs/Actions in 6th Cycle Housing Element Update

Program 4: Complete a comprehensive Inclusionary Housing study by 2025 and revise Inclusionary Housing Ordinance based on findings.

- **Program 5:** Harris recommends supplemental zoning amendments on additional sites for workforce and below market rate housing to increase densities, etc.
- **Program 6:** Harris recommends meeting with developers and employers to assess the need for a Neighborhood Revitalization Program.
- **Program 10:** Harris recommends the County consider developing an ADU forgivable loan program.
- **Program 13:** Density Bonus Provisions (update in alignment with Assembly Bill 1287).
- **Program 16:** Harris recommends revisiting existing Objective Design Standards.
- **Program 18:** Harris recommends initiating steps to engage private equity firms.
- **Program 19:** Amend zoning ordinances to include Short Term Rental program.
- **Program 21:** Harris recommends a study to establish a local preference.
- **Program 24:** Rental Housing Incentive Program.

Amend Inclusionary Housing Ordinance: The County should (1) establish inclusionary requirements for rental and mixed-used projects (current Inclusionary Housing Ordinance pertains exclusively to ownership housing), (2) consider removing unit requirement and only requiring in-lieu fee; based on the financial feasibility analysis, Very Low and Low Income inclusionary requirements were deemed infeasible, (3) update In Lieu Fees to reflect current market conditions and projected gap between per-unit development costs and revenues, and (4) redefine the existing "Workforce" income level (120%-200%) as "Missing Middle."

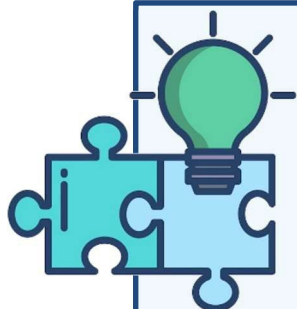
Funding: Proactively engage the private equity and investor market to (1) acquire and improve existing affordable units and extend affordability requirements, (2) acquire and improve exiting market rate units to record affordability covenants, and (3) develop new affordable housing projects. Furthermore, Harris recommends the County (1) utilize a portion of its revenue to affordable housing preservation, (2) consider bond measures based on community feedback, and (3) use the additional revenue for affordable/workforce housing efforts.

County Ordinances: Examine implementation measures beyond the state's Preservation Notice Law that may help to increase affordable housing supply. Specifically, Harris examined **Right of First Offer and Right of First Refusal provisions**, noting case studies including San Francisco's Community Option to Purchase Act (COPA). **Incentives for Owners of Unrestricted units** can be provided in return for imposing affordability restrictions, including tax credits, grants, loans, and fee waivers, as well as a **Short-Term Rental Ordinance**.

Neighborhood Revitalization Program: Harris examined the potential benefits of Neighborhood Revitalization Programs, which are designed promote renovation, financial assistance, technical expertise, and community support for neighborhoods featuring workforce and affordable units. Potential challenges include the staffing, time, and resources required for successful implementation.

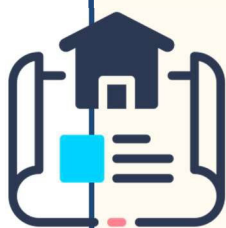
COUNTY HOUSING OPPORTUNITY SITES – APPENDIX 7 SUMMARY

Harris conducted a feasibility analysis of 21 County-owned sites/properties, analyzing the potential for housing development on each site to serve the workforce population ranging from 30% of Area Median Income (Very Low Income Workforce) to 200% of Area Median Income (Missing Middle).



Methodology

- Harris conducted an initial filtration process using GIS data, focusing on several factors including flood hazard, fire hazard, environmental sensitivity, landslide susceptibility, and coastal zone status.
- Next, Harris conducted a site-by-site analysis of the remaining 21 sites, examining redevelopment potential and/or constraints regarding several factors including (1) topography, (2) infrastructure, (3) accessibility and transportation, (4) existing structures, uses, and leases, (5) potential public opposition, (6) developable site area, and (7) proximity to resources/amenities.



Developer Outreach

Harris and the County discussed preliminary findings with members of seven local developer stakeholder organizations, focusing on 11 sites that were presumed to have moderate to moderate-low redevelopment potential based on an early analysis of existing constraints to development. The following patterns were observed in these discussions:

- Lots between 1-1.5 acres are ideal for redevelopment.
- Relocation responsibilities are costly and complicated.
- Existing leases can result in timing delays for developments.
- Existing easements, historical registry, grading, lack of infrastructure, hazard, and noise mitigation can significantly increase costs.



Findings

After completing preliminary research and consulting with the County and developers, Harris categorized the 21 sites based on redevelopment potential:

- **2 Sites** deemed **Tier 1 – High Redevelopment Potential** sites
 - Potential to redevelop in the near future.
- **1 Site** deemed **Tier 2 – Likely High Redevelopment Potential** site
 - Potential to redevelop in the near future pending mitigation of minor constraints.
- **4 Sites** deemed **Tier 3 – Moderate Redevelopment Potential** site
 - Redevelopment potential with timing or other manageable constraints.
- **6 Sites** deemed **Tier 4 – Moderate-Low Redevelopment Potential** sites
 - Some redevelopment potential with significant constraints.
- **8 Sites** deemed **Tier 5 – Low Redevelopment Potential** sites
 - Low redevelopment potential with significant constraints.

Harris created site profiles for each of the 21 sites, detailed in the appendix, each of which includes a site description noting factors promoting development and site constraints, as well as recommended next steps for the County.

COUNTY HOUSING OPPORTUNITY SITES – APPENDIX 7 SUMMARY CONTINUED

Feasibility Analysis

Listed below are Priority Sites for redevelopment (i.e. highest redevelopment potential). Sites were assessed across a Tier system with Tier 1 representing the highest redevelopment potential and Tier 5 representing very low redevelopment potential.

Tier Level & Redevelopment Potential	Categorization Factors
Tier 1 - High	Potential to redevelop in the near future.
Tier 2 - Likely High	Potential to redevelop in the near future pending mitigation of minor constraints.
Tier 3 - Moderate	Redevelopment potential with timing or other manageable constraints.
Tier 4 - Moderate - Low	Some redevelopment potential with significant constraints.
Tier 5 - Low	Low redevelopment potential with significant constraints.



Site 1: Current Probation Building (Tier 1)

APN 029-211-025

123 East Carrillo Street, City of Santa Barbara

Feasibility Analysis Findings: Suitable for 48-unit apartment or live/work development (Moderate-Above Moderate Income Workforce). This site may be suitable for additional units if leveraging density bonus and community benefit incentives.

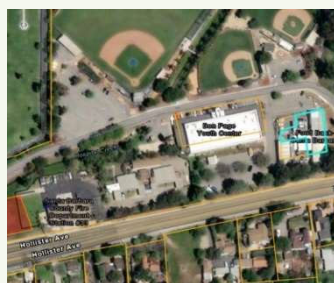


Site 2: Betteravia Government Center, Unoccupied Open Space (Tier 1)

APN 128-085-043

522 Lakeside Parkway, City of Santa Maria

Feasibility Analysis Findings: Ideal location for development of approximately 95 permanent supportive housing units, or small lot size single family homes for Low Income workforce.



Site 3: Food Bank (Tier 2)

APN 061-040-020

4554 Hollister Avenue, County Unincorporated

Feasibility Analysis Findings: Suitable for a 14-unit multifamily apartment serving Low Income workforce.

COUNTY HOUSING OPPORTUNITY SITES – APPENDIX 7 SUMMARY CONTINUED



Site 4: County Administration, Engineering, and Human Resources Buildings (Tier 3)

APNs 029-121-020, 029-121-022, and 029-121-023

105 East Anapamu Street and 1226 Anacapa Street, City of Santa Barbara

Feasibility Analysis Findings: Suitable for 46-unit apartment or live/work development serving Low Income to Moderate Income Workforce.

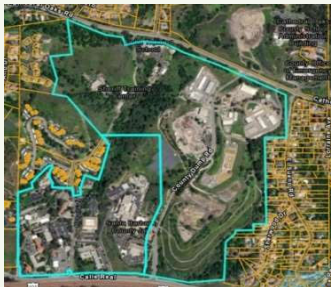


Site 5: La Posada (Tier 3)

APNs 061-040-012 and 061-040-024

4500 Hollister Avenue, County Unincorporated

Feasibility Analysis Findings: A 75-unit apartment development serving Moderate-Above Moderate workforce may be feasible at this site.

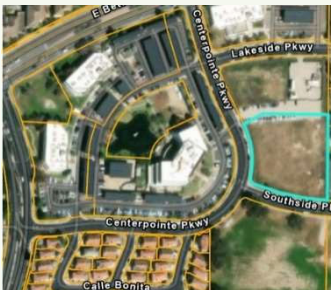


Site 6: Calle Real Campus (Tier 3)

APNs 059-140-023 and 059-140-029

4417 Calle Real and 260 North San Antonio Road, County Unincorporated

Feasibility Analysis Findings: Per the County's Housing element, 116 units are projected at these sites.



Site 7: Betteravia Government Center, Occupied Open Space (Tier 3)

APN 128-085-044

2131 Southside Parkway, City of Santa Maria

Feasibility Analysis Findings: Redevelopment of the site may allow for roughly 95 Very Low to Low Income workforce units.



Site 12: Foster Road Facilities and Open Space (Tier 4)

APN 111-231-004

4263 California Boulevard, City of Santa Maria

Feasibility Analysis Findings: Redevelopment of the site may allow for roughly 150 units, although negative externalities nearby would most likely affect marketability.

RECOMMENDED ACTION STEPS



Dahlia Court, City of Carpinteria
Source: People's Self-Help Housing



Elements Apartments, City of Santa Maria
Source: Elements-Apartments.com



Cypress Court Apartments, City of Lompoc
Source: PacWest Apartments

1

Inclusionary Housing Ordinance Update to Enhance the Stock of Workforce and Affordable Housing

2

Expedite Implementation of 6th Cycle Housing Element Programs

3

Revise the Short Term Rental Ordinance

4

Pursue Prohousing Designation

5

Consider Establishing a Community Land Trust

6

Pursue Public Private Partnerships

RECOMMENDED ACTION STEPS



Inclusionary Housing Ordinance Update to Enhance the Stock of Workforce and Affordable Housing

The Inclusionary Housing Ordinance (IHO) in Santa Barbara County requires workforce and affordable housing units for ownership housing projects to increase housing opportunities at all income levels. However, the Inclusionary Housing Ordinance was adopted in 2004, prior to tighter federal lending requirements following the Great Recession and more significant gaps between wages and home prices. Rental housing, once rare in the County, has become more prominent in recent years as affordability of ownership housing has diminished (in 2024, 11% of County households can afford to purchase a home⁴) but the current Inclusionary Housing Ordinance does not require affordable units as part of rental projects.



Jardin de las Rosas, Santa Barbara, CA. Source: RRM Design

1.1 Current Methodology

The following table provides details on the County's current Inclusionary Housing Ordinance as well as context as to why the proposed updates discussed on the following page are needed.

Ordinance Details	Why Update?
The last comprehensive study was performed in 2004.	Market factor changes and the affordability gap has increased over the past 20 years.
Rental housing and mixed-use developments with < 10 units are exempt.	Rental projects are likely to be more common due to a lack of affordability for ownership housing, and all development should aid in more affordable units.
In-lieu fees can be paid instead of providing affordable units on-site.	The requirement to provide on-site (or off-site) units for larger projects (20 + units) can be a more efficient method of increasing housing.
In-lieu fees annually updated based on % change in condo median sales price prior 12-month period (less 15% profit for Moderate and "Workforce").	Recommended fee methodology is the "gap" between development cost (including profit) and revenues derived from units with a construction cost index inflation factor applied annually. Current methodology is based on market sales prices rather than development costs less revenues for affordable units.
Projects with 5 - 19 units require one (1) Moderate Income unit.	The financial feasibility of development is different for (1) rental vs. ownership and (2) by Housing Market Area. Current requirements are infeasible at Very Low and Low Income levels (due to tighter lending requirements and higher interest rates) which may discourage ownership housing development, reducing the supply.
Projects with 20 + units require % of affordable units - Very Low (2.5%); Low (2.5%); Moderate (5%); Workforce (5%).	
Current incentives include: (1) one unit over base density for each required onsite unit, (2) consideration of zoning modifications, (3) possible reduction of community/open space.	State laws were adopted requiring all jurisdictions to provide (1) mandated streamlining, (2) density bonuses and (3) incentives beyond what was provided in recent years. Incentives would need to exceed State mandates and reduce the time to develop.

⁴ [https://www.sbhousingtrust.org/santa-barbara-county-homeowners#:~:text=In%20Q1%20of%202024%2C%20only.\(CA%20Association%20of%20Realtors\).](https://www.sbhousingtrust.org/santa-barbara-county-homeowners#:~:text=In%20Q1%20of%202024%2C%20only.(CA%20Association%20of%20Realtors).)

1.2 Why Update the Inclusionary Housing Ordinance?

In the two decades since the Inclusionary Housing Ordinance was adopted, housing affordability and development patterns have changed. Federal lending requirements were tightened following the Great Recession in 2008-9, gaps between wages and median home prices has widened and rental housing development has become more commonplace in response to a lack of ownership affordability. These factors necessitate updates to the Inclusionary Housing Ordinance to reflect changes in market factors and state and federal laws. More specifically, key changes over the past 20 years include:



- The escalating cost of homeownership has shifted focus towards rental housing as a more viable option for many residents, including median-income families who are experiencing increased difficulties in purchasing a home due to rising property prices and a lack of affordable housing stock. In 2024, only 11% of County residents can afford to purchase a median-priced home⁵.

⁵ [https://www.sbhousingtrust.org/santa-barbara-county-homeowners#:~:text=In%20Q1%20of%202024%2C%20only,\(CA%20Association%20of%20Realtors](https://www.sbhousingtrust.org/santa-barbara-county-homeowners#:~:text=In%20Q1%20of%202024%2C%20only,(CA%20Association%20of%20Realtors)



- Median home prices increased by 61% between May 2019 and May 2024 vs. a 50% increase in County's Area Median Income.³
- The annual income required to afford the County's median-priced home is \$252,490 while the 2024 Area Median Income in the County is \$95,300 for a 2-person household and \$119,100 for a 4-person household (i.e., income needed is 210% - 265% of the Area Median Income).³
- A 2- and 4-person household earning 200% of Area Median Income (i.e., \$190,600 and \$238,200, respectively) are unable to afford a median-priced home in the County.⁶

⁶ These findings are discussed in detail in Section 4, Ownership Housing Costs, of the Task 2 Memo, found in the Appendix of this document.



- California has enacted several laws aimed at boosting the development of affordable housing, including Assembly Bill 1287 in 2023 which introduces a new higher density bonus aimed at promoting Middle-Income and additional Very Low-Income housing.
- Notably, updates to the state's density bonus laws have been pivotal, allowing developers to build at higher densities (exceeding established local zoning densities) when affordable units are included in housing projects.



- Federal laws establishing tighter lending standards as well as higher interest rates have further compounded the homeownership affordability crisis.
- Higher interest rates increase the monthly mortgage costs, while stricter lending standards mean that fewer potential buyers qualify for mortgage financing, particularly at very low and low income.

1.3 Recommended Updates to Inclusionary Requirements

The proposed updates aim to make the Inclusionary Housing Ordinance more aligned with current market and economic conditions, with a particular focus on increasing the production of workforce and affordable housing. Key updates include:

❖ Update the Inclusionary Housing Ordinance

- **Change inclusionary requirements for ownership housing** to 5% of units reserved for Moderate Income (earning up to 110% of the Area Median Income) and 5% of units reserved for Missing Middle (earning up to 200% of Area Median Income) only. Tighter lending requirements and higher interest rates have diminished the feasibility of obtaining mortgages at lower income levels.
- **Add inclusionary requirements for 100% rental housing projects** for Very Low (5%), Low (5%), Moderate (5%), and Missing Middle Income (5%). Inclusionary requirements for when applied to rental projects at the same percentages as the current ownership requirements (Very Low - 2.5%, Low - 2.5%, Moderate - 5%, and Missing Middle – 5%) are also feasible.
- **Add inclusionary requirements for mixed-use development projects** with < 10 units.
- **Change the term and definition of “Workforce” to:**
 - Ownership housing projects – Change “Workforce” to “Missing Middle” for households between 120% and 200% of Area Median Income.
 - Rental housing projects – Include a category for “Missing Middle” only for Housing Market Areas where median rents > maximum affordable rents (calculated pursuant to current California State Department of Housing and Community Development income limits.)
- **Provide flexible options to meet inclusionary requirements** for developers (e.g., purchasing existing offsite market-rate units and recording deed restrictions to create affordable units rather than constructing the affordable units as part of the project).

❖ Perform a financial feasibility analysis (“Nexus Study”) to ensure inclusion of current market factors for each Housing Market Area, with updates made at least every four years to factor in current market factors at that time.

❖ Update available incentives including density bonus that exceeds the sliding scale mandated by recent state legislature (Assembly Bill 1287, 2023).

The proposed amendments are expected to enhance the effectiveness of the Inclusionary Housing Ordinance in several ways:

Broader Coverage: As rental housing is the most affordable housing option in the current market, incorporating inclusionary requirements in the inclusionary housing ordinance ensures all housing projects include affordable workforce units, not just ownership projects.

Economic Viability: By adjusting the income categories and updating financial feasibility analysis, the County can help ensure inclusionary housing requirements are aligned with what developers can realistically accomplish, helping to encourage more development of workforce units.

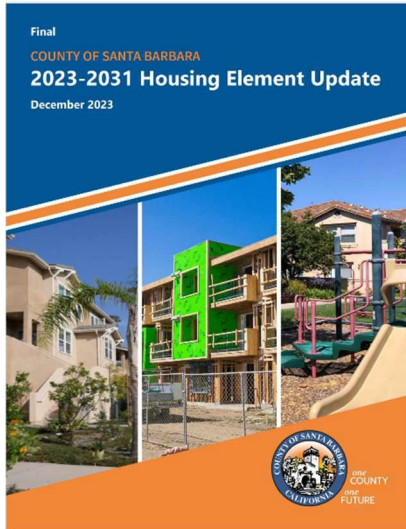
Increased Production of Workforce Units: With updated requirements (informed by financial feasibility analysis) and increased applicability among development projects (the inclusion of rental and mixed use > 10 units), the ordinance should lead to an increase in the production of workforce housing, helping to meet the County’s housing needs more effectively.



RECOMMENDED ACTION STEPS

2

Expedite Implementation of 6th Cycle Housing Element Programs



2.1 Challenges to the Development of Housing and How the County Can Help

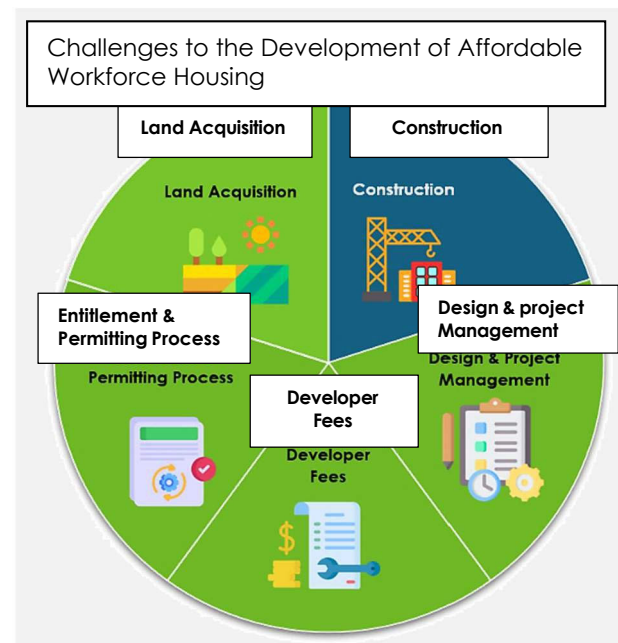
The County of Santa Barbara is committed to addressing the critical need for affordable and workforce housing. Expediting the implementation of the Housing Element programs is a strategic action that can significantly enhance housing development across the County.

Barriers to housing development often include costs related to land acquisition, construction, and development fees. Additionally, the entitlement and permitting process as well as ensuring compliance with design standards, can result in lengthy development delays.

Through expediting the implementation of a number of programs in the County's 6th Cycle Housing Element Update, the County can help mitigate the impact of a number of these barriers.

The chart to the right identifies challenges encountered by developers in the development of affordable workforce housing. Items identified in **green** are those in which housing programs can help mitigate the impact while the item in **blue** identifies challenges the County is unable to control.

While the County does not develop housing, the acceleration of specific programs within the 6th Cycle Housing Element Update can help make the process for those who do easier, resulting in:



- **Development:** Simplifying and expediting the development process encourages developers to build market-rate housing where it makes sense, particularly in areas like Santa Maria and Lompoc Valley where workforce = market rate.
- **Simplified Permitting Processes:** Implementing efficient permitting processes to reduce delays and costs for developers.
- **Zoning Adjustments:** Revising zoning regulations to allow for higher density and mixed-use developments.
- **Incentives for Developers:** Offering incentives such as tax breaks, reduced fees, and expedited review processes to encourage workforce housing development.
- **Targeted Funding:** Allocating funds specifically for the development of affordable housing units.
- **Partnerships with Nonprofits:** Collaborating with nonprofit organizations to develop and manage affordable housing projects.
- **Proactive Land Use Policies:** Implementing land use policies that prioritize affordable housing development on suitable sites.

2.2 County's 6th Cycle Housing Element Programs

The Study recommends supplemental actions to the Housing Element Update. Revising or expediting the following programs will further the County's goals to address the immediate need for more workforce housing.

Program 4: Inclusionary Housing Ordinance (IHO)

- Complete a comprehensive Inclusionary Housing Study by December 2025 and revise the Inclusionary Housing Ordinance based on the findings for rental housing projects as well as ownership development. This will also include allowing flexibility to meet requirements in the same Housing Market Area (land donation, offsite units, developer agreements).

Program 5: Tools for Incentives for High-Quality Affordable Housing

- Harris recommends supplemental zoning amendments on additional sites for workforce and below market rate housing to increase densities, etc.

Program 6: Housing for Farmworkers and other Employees

- Harris recommends meeting with employers, labor organizations, and developers annually (first meeting by July 2025) to assess the need for and implementation of neighborhood revitalization programs like Habitat for Humanity and Community in unincorporated County communities.

Program 10: Accessory Dwelling Units (ADUs)

- Harris recommends the County consider the feasibility of developing an ADU forgivable loan program similar to Napa County's (<https://www.countyofnapa.org/3424/Affordable-ADU-Program-Forgivable-Loan-O>) for ADU construction (loans provided and forgiven in exchange for affordability covenants of at least 5 years and rents capped at specific Area Median Income level). Complete assessment by December 2025.

Program 13: Density Bonus Provisions

- Beyond alignment with AB 1287 already implemented, offer above 100% density bonus to exceed the state mandate for projects with higher amounts of affordable housing than the inclusionary (only for units built) and workforce.

Program 16: Reduction of Governmental Constraints

- In addition to ensuring clarity and objectivity in recently updated Objective Design Standards, Harris recommends revisiting Housing Market Areas where workforce and below market rate units are planned (by July 2025).

Program 18: Preservation of Affordable Housing at Risk of Conversion to Market Rate and Mobile Home Parks

- Harris recommends initiating steps including targeted outreach and conference event attendance to engage private equity to encourage investment in at-risk rental projects (see Analysis of Existing County Programs and Model Program in Similar Communities Memorandum, Section 6.4 for additional details) by February 2025.

Program 19: Short-Term Rentals (STR)

- In addition to Chapter 35 Homestay, consider annual registration, annual cap on the number of unhosted nights per year, hotel taxes, and new permits. Draft amended ordinances by February 2026. The County should implement regulatory fees to help fund the implementation of activities identified in the program.

Program 21: Local Preference

- Harris recommends initiating study to establish a local preference. If study supports local preference, initiate implementation actions.

Program 24: Rental Housing Incentive Program

- Amending zoning for higher density multi-family development for sites beyond Housing Element sites (see Program 5) will incentivize rental housing. Additionally Objective Design Standards (Program 16) and deferring development impact fees to certificate of occupancy (Program 16) will help to remove barriers to rental housing.

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RECOMMENDED ACTION STEPS

3

Revise the Short-Term Rental Ordinance

Short-term rentals (such as Airbnb and VRBO) were created to provide home sharing or short-term rental options as affordable vacation options for individuals and families. While short-term rentals can provide additional revenue to jurisdictions in which they operate (the 2024 - 2025 Santa Barbara County Recommended Budget estimates a collection of \$3.6 million in Transient Occupancy Taxes for vacation rentals including short-term rentals), the ability for individuals to monetize homes has resulted in housing stock removed from the available homes for long-term occupancy (residents). This has reduced the supply of housing available for rent and sale, further increasing prices and diminishing affordability in the area.

To address these issues, many jurisdictions enforce regulations such as (1) limit short-term rental operators to one rental property (2) limit the number of days properties can be rented, (2) require short-term rentals to be owner-occupied, (3) cap the number of short-term rental licenses issued, (4) prohibit the transfer of short-term rental licenses upon sale, and/or (5) impose taxes and regulatory fees on short-term rental operators to balance the benefits of short-term rentals with the preservation of affordable housing and community stability.



3.1 Examples of Jurisdictional Application of Short-Term Rental Ordinances

- **Marin County:** Recently approved regulations limit an operator to one short-term rental, establishes a maximum number of short-term rental licenses and imposes operational limits on short-term rentals in multifamily buildings or condos, with a phase-out period.
- **Los Angeles County:** Allows short-term rentals only for registered primary residences, limits unhosted rental days at 90 per year and limits the number of guests.
- **Monterey County:** Imposes area-specific restrictions, with stringent controls in environmentally sensitive areas like Big Sur.
- **City of Santa Monica:** Implements strict regulations, prohibiting entire unit rentals for less than 30 days unless the host is present, requiring host registration and tax collection.
- **City of Oxnard:** Bans short-term rentals in all residential zones, effectively making it illegal to operate short-term rentals in these areas.

Regulating short-term rentals effectively can help preserve the availability of affordable and workforce housing while managing the impacts on local communities.

Crafting a short-term rental ordinance requires finding a balance that supports the local economy while also enforcing regulations to preserve and promote workforce and affordable housing. By establishing guidelines that accommodate tourism and generate revenue, yet simultaneously safeguard and expand housing options for local workers and residents, the County can support sustainable community and economic growth.

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3.2 Recommendations:

Currently, short-term rentals are unregulated in the coastal areas and permitted only in commercial and special purpose zones in the inland areas of the County.

The County's 6th Cycle Housing Element includes Program 19: Short-Term Rentals, outlining a plan to amend zoning ordinances to introduce a Short-Term Rental Program for the Coastal Zone. This program aims to balance affordable recreational lodging with the preservation of local workforce housing. The County should expand upon the efforts of Program 19 by including the following actions:



Require and Enforce Annual Registration: This process ensures all properties meet safety and zoning compliance, which can help prevent the illegal conversion of affordable long-term rental properties into short-term rentals.



Consider an Annual Cap on the Number of Units Registered or Unhosted Nights per Year: Setting limits on the total number of short-term rentals, including (1) one license per host at a time, and (2) restricting the number of days they can operate unhosted (without the unit owner/landlord present) prevents entire neighborhoods from turning into de facto hotel zones, which can inflate property values and rental rates, pushing out long-term residents and workers who rely on affordable housing.



Regulate Operation in Residential Areas of the Coastal Zone: Regulating short-term in these residential areas helps ensure homes remain available for local workers and families, not just tourists. This action supports community integrity and prevents the erosion of local character, which is often threatened by the transient nature of short-term rental markets.



Impose Regulatory Fees: The County can institute a regulatory fee (per State legal requirements) to help cover the costs of staff time and expenses associated with monitoring and enforcement of short-term rentals.



Prohibit Licenses from Transferring with Property Sales: Renewals under existing hosts, and in good standing, will be approved however should a property be sold, the new owner would be required to apply for a new permit. New permits would (1) be processed on a first come-first serve basis and (2) subject to a waitlist should the annual cap be met. As permits are revoked or not renewed, those on the waitlist would become eligible for a license.



Require Hosts to Collect and Remit Hotel Taxes: Enforcing tax collection from short-term rental operations ensures these businesses contribute their fair share to community resources and infrastructures, similar to traditional hotels. The revenue generated from these taxes can be allocated specifically to (1) fund affordable housing projects, (2) housing subsidies, or (3) local infrastructure improvements that benefit the entire community, including the workforce.



Grandfather in Existing Unregistered Short-Term Rentals and Heavily Prohibit New Permits: Allowing existing unregistered short-term rentals a pathway to compliance acknowledges the reality of their existence while drawing a hard line against future expansions. By severely restricting the issuance of new short-term rental permits, local governments can prevent a surge in new rentals that would otherwise compete with long-term rental markets whose stabilization is crucial for maintaining a supply of workforce and affordable housing.

Together, these actions form a comprehensive strategy to regulate the impact of short-term rentals, balancing the economic benefits of tourism with the critical need to preserve and develop workforce and affordable housing. By implementing such regulations, communities can protect their residential spaces, ensuring they remain livable and affordable for the people who work and contribute to the local economy daily.

RECOMMENDED ACTION STEPS

4

Pursue Prohousing Designation

4.1 Why Should the County Pursue a Prohousing Designation?

According to California Housing Partnerships Santa Barbara County 2024 Affordable Housing Needs Report, state and federal funding for housing production and preservation in Santa Barbara County saw a 38% decrease from the year prior. Grant funding, in conjunction with other resources, can help the County bridge the expanding financial gap that exists between the increasing costs of affordable housing development and the decrease in state and federal funding received.

Since grants can be highly competitive, with many jurisdictions vying for limited funds, the County's ability to position itself is crucial. Programs like the Prohousing Designation can provide the County with an advantageous status, enhancing its competitiveness in grant applications and access to additional funding opportunities reserved for jurisdictions with Prohousing Designation Certification.

The Prohousing Designation Program, established by the California Department of Housing and Community Development (HCD), encourages local governments to implement housing-friendly policies and offers incentives such as prioritized access to state funding and technical assistance. **As of August 2024, 50 jurisdictions in California have been awarded the prohousing designation by HCD.**



Aerial view of downtown Santa Barbara

4.2 Examples of Awarded Jurisdictions and Their Efforts Demonstrating Prohousing



The City of Berkeley has implemented measures to boost housing production, such as **eliminating minimum parking requirements for residential developments and streamlining the ADU permit process**. Additionally, Berkeley's **Housing Trust Fund supports affordable housing development** through funding announcements and the Small Sites Program.



San Diego County allocated \$25 million to support affordable housing developments and set a target to build 10,000 affordable units by 2030 on publicly owned land. The county has **invested over \$241 million in 50 affordable housing projects** and is **streamlining permitting processes** to aid housing production.



The City of Pinole has **updated its zoning ordinance to require a minimum density for all developments and introduced an ADU Fast Track process**. The city also **collaborates with affordable housing developers and offers fee waivers for building permits**.

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4.3 Benefits of Prohousing Designation for Santa Barbara County

Obtaining a Prohousing Designation can offer Santa Barbara County numerous benefits:

Priority Funding: Counties with a Prohousing Designation receive priority consideration for state funding, including grants and financing for housing and infrastructure projects. Local governments with the Prohousing Designation are eligible to participate in the Prohousing Incentive Program (PIP), supported by investment from the Building Homes and Jobs Trust Fund. The most recent round of the program had **\$9.5 million in funding**. Additionally, jurisdictions with the Prohousing Designation receive preference or additional points when applying for various funding programs including:

- **Affordable Housing & Sustainable Communities (AHSC)**
- **Infill Infrastructure Grant (IIG)**
- **Transformative Climate Communities (TCC)**
- **Solutions for Congested Corridors**
- **Local Partnership Program**
- **Transit and Intercity Rail Capital Program (TIRCP)**

Increased Housing Production: By aligning local policies with state housing goals, the County can improve the approval processes and reduce barriers to development, leading to a faster rate of construction.

Enhanced Developer Interest: Designation can make the County more attractive to developers by signaling a supportive environment for housing projects, helping bring in more private investment into the workforce housing sector.

State Support and Recognition: Designation brings recognition from the state, highlighting Santa Barbara County as a leader in proactive housing policy, and enhancing its reputation amongst other municipalities.

4.4 Applying for Prohousing Designation



Applying for Prohousing Designation requires a certified Housing Element, (which the County has) engaging in public participation including outreach on the process, and making the draft document available to the public for comment, a formal resolution, and complying with relevant state housing laws.

The evaluation of an application hinges on the enacted and proposed policies across four key categories: (1) Favorable Zoning and Land Use, (2) Acceleration of Housing Production Timeframes, (3) Reduction of Construction and Development Costs and (4) Providing Financial Subsidies. Enhancement factors are included, allowing policies that align with state priorities—such as preventing displacement, promoting, fair housing, and mitigating climate change—to earn additional points.

To secure the designation, the County needs to demonstrate commitment to accelerated housing production.

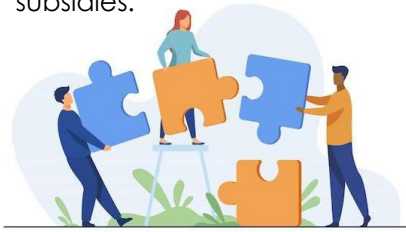
RECOMMENDED ACTION STEPS

5

Pursue Partnerships with Private Equity Firms

5.1 Why Pursue Private Equity for Affordable Workforce Housing Development?

Following the impacts of the COVID-19 pandemic (eviction protections, decline in use of office space), affordable housing has become a focus for the private investment community. Private investors, funds, and lenders are interested in funding affordable housing projects and acquiring aging market rate rental properties to upgrade them. This presents an opportunity to increase the supply of affordable housing, especially in an environment with scarce public subsidies.



The investment benefits of affordable housing have been discussed in various articles, highlighting the potential for viable returns to private investors. Private sector funding also reduces regulation and production time for affordable housing, allowing projects to be completed in two to three years compared to five to seven years with Low Income Housing Tax Credits projects and at a lower development cost.

5.2 Examples of Successful Public-Private Partnership Workforce Housing Projects



In 2022 Langdon Park Capital purchased an unofficial 138-unit affordable housing property in the City of West Covina (Langdon Park at West Covina) that rents to Lower to Moderate-Income families. The firm's purchase of the property helped to contribute towards their mission of providing housing to teachers, hospital workers and firefighters experiencing rent hikes in the area.



In 2022, Avanath Capital Management worked with the Housing Authority of the City of Los Angeles (HACLA) to purchase Baldwin Village, a 669-unit apartment complex in the Baldwin Hills neighborhood of Los Angeles. Of the total units, 468 were restricted to households earning 60-80% of Area Median Income, with the remaining 201 set aside as workforce housing (income levels TBD).



In 2022, Community Preservation Partners acquired Park Villa, a 38-unit affordable rental property serving households at 30-60% of Area Median Income in the City of El Cajon.



In 2022, Monarch Private Capital invested in the development of Shiloh Terrace Apartments, a 134-unit affordable rental property serving households at 70 percent or below of the Area Median Income in the City of Windsor, California. They have also recently invested in a 228-unit affordable rental property in the City of Torrance, California.²⁸

5.3 Steps to Pursue Private Equity in the Development of Affordable Workforce Housing Projects

1. Create a Public-Private Partnership Task Force

- Establish a task force comprised of County Staff, community organizations and employers (ex. Chambers of Commerce, Coastal Housing Partnership, School Districts), and developers. Meetings should be held on a quarterly basis.

2. Develop a Public-Private Partnership Framework

- Draft a framework identifying legal and financial structures, risk-sharing mechanisms, proposed projects, a timeline for project milestones, sustainability and affordability criteria, and accessible resources to add to proposed projects (ex. County-owned land, grant funding, inclusionary funds).

3. Targeted Outreach

- Identify private firms to add as a resource to existing relationships with developers and non-profits specializing in affordable housing (Ex. Turner Impact Capital, Langdon Park Capital, Monarch Private Capital, Santa Barbara Investment Company, Chan-Zuckerberg Initiative).

4. Relationship Building

- Develop relationships through direct outreach to identified private firms via one-on-one meetings and/or, stakeholder discussions to understand mutual goals, criteria, and capacity for partnering on proposed projects.

5. Attend Conferences and Events

- Attend key conferences and events focused on affordable housing investment, such as the Urban Land Institute (ULI) Fall Meeting, National Housing Conference (NHC) Annual Policy Symposium, Affordable Housing Finance Live, Public-Private Partnership Conference & Expo (P3C), and Bisnow Affordable Housing Conferences.

An example of a Public-Private Partnership in the County could look like the following:

The County could partner with Avanath and Santa Barbara Unified School District, leveraging use of Opportunity Site 4 (County Administration, Engineering, and Human Resources Building) to develop a 40+ unit live/work development serving Low Income to Moderate Income Workforce, with a priority for district staff followed by County Administrative staff.

In Santa Barbara County, the strategic collaboration between public assets, private investments, and employer engagement holds significant potential for enhancing the development of affordable workforce housing. By leveraging County-owned land, the County can provide vital real estate resources necessary for initiating and scaling housing projects without the typical procurement costs. Employer-sponsored housing initiatives represent a unique opportunity for local businesses to invest directly in the well-being of their employees and attract essential workers by offering housing benefits - a critical move in regions facing high living costs. And partnering with a private equity firm can inject necessary capital and expertise into projects. Together, these elements create a robust framework for rapidly increasing the availability of affordable workforce housing in the County.

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RECOMMENDED ACTION STEPS

6

Consider Establishing a Community Land Trust



6.1 Why Establish a Community Land Trust

Establishing a Community Land Trust (CLT) can be a strategic solution to address the lack of workforce housing currently available in the County. A Community Land Trust is a nonprofit organization that acquires and manages land to ensure long-term housing affordability. Community Land Trusts have expanded significantly, with 315 programs across the U.S. as of 2023, including 30 + in California.

6.2 How Does a Community Land Trust Benefit the County?

- 1. Long-term Affordability:** Community Land Trusts ensure housing remains affordable for future generations by retaining ownership of the land and leasing it to homeowners. In Santa Barbara County, where the **median home price is \$988,867⁷ and the median rent is \$3,304 a month⁸**, a Community Land Trust can provide much-needed affordable housing options.
- 2. Community Control:** Community Land Trusts are governed by a board that includes community members, ensuring the housing needs of the local population are prioritized. This is crucial in Santa Barbara County, where diverse community input can help address the unique needs of different areas, from urban centers to rural communities.
- 3. Stability:** By removing land from the speculative market, Community Land Trusts provide stability in housing prices and protect against displacement. This is particularly important in Santa Barbara County, where high housing costs have led to significant displacement of low- and moderate-income families.⁹
- 4. Economic Diversity:** Community Land Trusts support a diverse workforce by providing affordable housing options for low- and moderate-income families, essential workers, and others who contribute to the local economy. In Santa Barbara County, this can help retain essential workers such as teachers, healthcare professionals, and service industry employees.
- 5. Rental and Ownership Housing:** Community Land Trusts can offer both rental and ownership housing, catering to a broader range of housing needs. Rental units provide immediate relief for those unable to purchase homes, while ownership opportunities help build long-term financial stability and community investment.

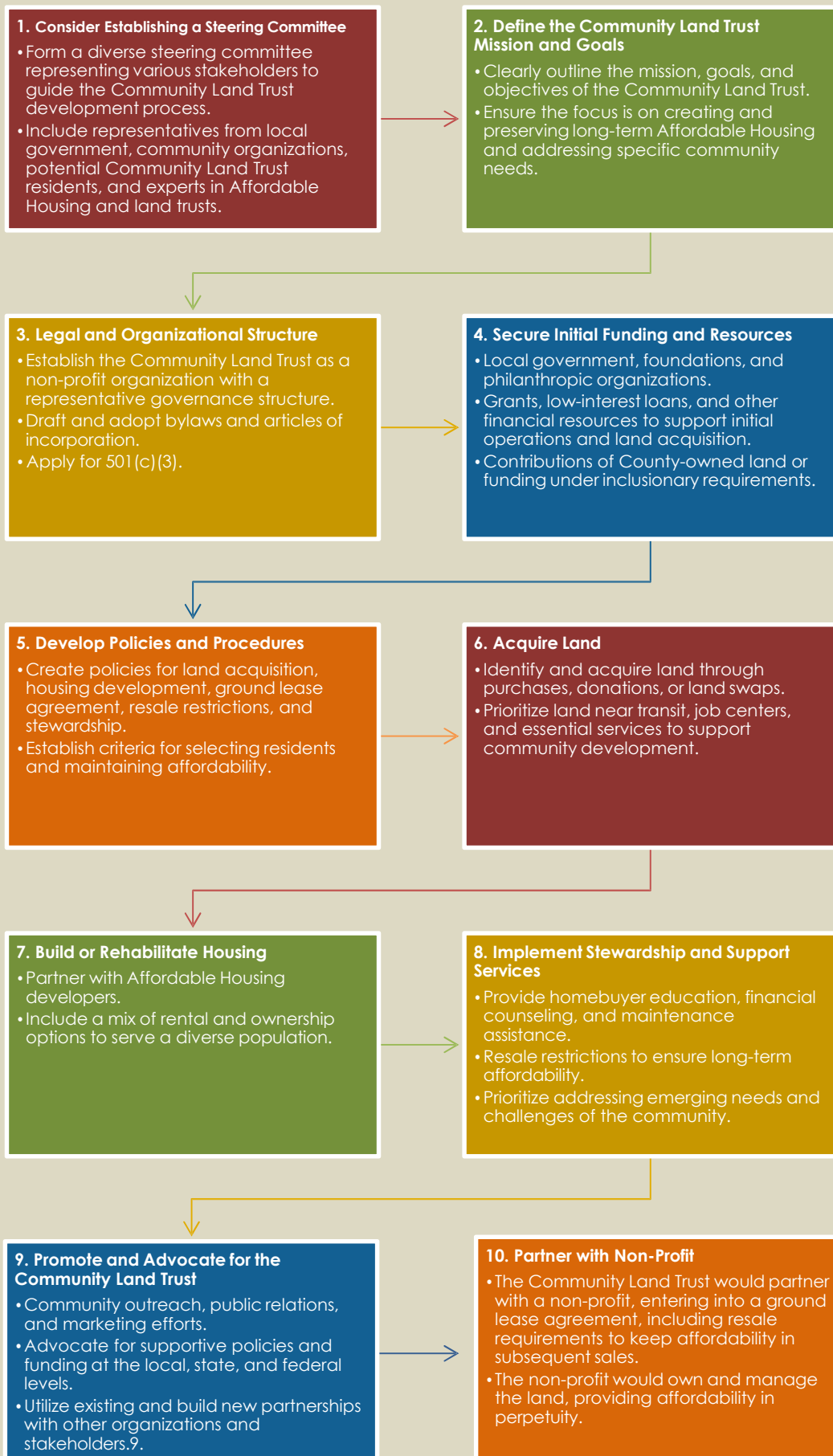


⁷County-wide median monthly rent across all home types / sizes was \$3,304 as of May 2024 (<https://www.zillow.com/research/data/>).

⁸Median home values across all ownership home types County-wide was \$988,967 as of May 2024(<https://www.zillow.com/research/data/>).

⁹<https://www.independent.com/2024/05/29/renters-speak-out-on-housing-crisis-as-city-presses-charges-on-landlord/>;
<https://www.noozhawk.com/santa-barbara-countys-housing-crisis-puts-a-strain-on-students-and-teachers/>

6.3 Steps to Establish a Community Land Trust in the County



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IMPLEMENTATION PLAN: A STRATEGY TO INCREASE WORKFORCE HOUSING DEVELOPMENT

6.4 Efforts to Enhance the Success of a Community Land Trust in the County

Utilizing County-Owned Land

The strategic use of County-owned land can significantly strengthen the Community Land Trusts efforts. By transferring underutilized or surplus land to the Community Land Trust, the County can:



- **Reduce Costs:** Lower the initial costs of land acquisition, making projects more financially feasible.
- **Leverage Resources:** Utilize existing public assets to address housing needs without significant new expenditures.
- **Enhance Collaboration:** Foster partnerships between the County, the Community Land Trust, and other stakeholders to improve development processes and maximize impact.

Funding Opportunities

Several state and federal grant programs can support the establishment and operation of a Community Land Trust in the County:



- **HOME Investment Partnership Funds (HOME):** The Housing and Community Development Act of 1992 provided an avenue for "Community Land Trusts" to become eligible for HOME funds by integrating them into the statute as Community Housing Development Organizations (CHDOs). A jurisdiction receiving funds may use up to 10 percent of program funds received for housing to be owned, developed, or sponsored by Community Land Trusts to provide technical assistance and site control or project-specific seed money loans to Community Land Trusts.
- **Community Development Block Grants (CDBG):** Federal funding can be used for housing development, including Community Land Trust projects, and community revitalization.
- **Federal Home Loan Bank of San Francisco Affordable Housing Program (AHP):** The Federal Home Loan Bank of San Francisco Provides grants to support affordable housing projects, including Community Land Trust projects, throughout California. The 2024 grant cycle saw \$49.3 million awarded to 47 projects across the state.

6.5 Case Study: Irvine Community Land

The Irvine Community Land Trust (ICLT) is a prime example of how a Community Land Trust can benefit a jurisdiction. Established in 2006, the Irvine Community Land Trust has successfully developed **407 units of permanently affordable housing**, with an additional **68 units of ownership housing** added in 2022.

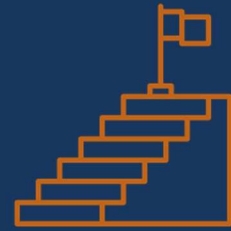
The City of Irvine provided seed funding to the Irvine Community Land Trust to aid its initial operations. The funding included \$250,000 from the City Council for startup costs and support from the city's redevelopment agency staff during the development of the trust's initial projects.

The Irvine Community Land Trust's strategy for acquiring land at costs low enough to keep housing units affordable involves receiving direct land donations, using in-lieu fees from developers who do not meet the city's on-site inclusionary requirements, and accessing various funding sources such as Community Development Block Grant (CDBG) funds, HOME Investment Partnership funds, private donations, and loans from banks and community development financial institutions.



Irvine Community Land Trust Properties 32

NEXT STEPS



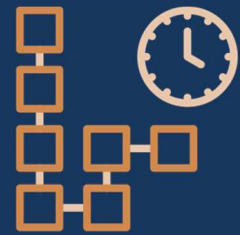
Now that key implementation actions to advance workforce housing goals are identified, steps must be taken to support effective execution. Initial steps for each action item are as follows:

- **Amending the Inclusionary Housing Ordinance** - Determine if the County will perform a financial feasibility study in-house or will use a consultant to perform the analysis. Because it has been twenty years since the last financial feasibility study, the County will need to perform an updated study reflective of current housing market conditions to accurately inform inclusionary housing requirements.
- **Expediting Housing Element Programs** - Resource allocation and staff capacity must be determined to ensure the fast-tracking of key programs while maintaining compliance with state housing law. Departments have formed a dedicated task force to prioritize the most time-sensitive and impactful initiatives.
- **Revise the Short-Term Rental Ordinance** - The County should perform a study to determine the presence of short-term rentals within the unincorporated County, identifying the potential taxes and ordinance fees that could be collected, as well as a cap projection that will support the preservation and retention of affordable workforce housing.
- **Establishing a Community Land Trust (CLT)** - The County should consider establishing an advisory board to gauge interest amongst jurisdictions in the County. This consideration should also take inventory of available properties and funding sources that could be used. The advisory board should also seek to connect with the Irvine Community Land Trust to gain insight into setup and considerations for maintaining operations and resources.
- **Pursuing Prohousing Designation** - The County should review application requirements and begin by identifying housing-friendly policies and recent progress in affordable housing development that can be included in the application to help demonstrate prohousing behaviors.
- **Establishing Public-Private Partnerships** - The County should identify potential private sector partners to engage, industry events to network and learn more information at, and explore the Joint Powers Authority housing model for use in potential workforce housing projects.



Rendering of River Terrace Planned Community Multi-family workforce housing makes up 20% of the housing, located in the City of Lompoc
Source: RA Architects & Engineers

PROPOSED TIMELINE



2025



Q1 (January – March 2025):

- Begin financial feasibility analysis for inclusionary housing ordinance
- Amend Density Bonus Ordinance in alignment with Assembly Bill 1287

Q2 (April – June 2025):

- Review 6th Cycle Housing Element programs for expediting implementation
- Conduct study on Short Term Rental Ordinance Amendment

Q3 (July – September 2025):

- Begin expediting 6th Cycle Housing Element Programs
- Submit application to state HCD for Prohousing Designation

Q4 (August – December 2025):

- Present inclusionary housing ordinance amendment and Short Term Rental Ordinance to the Board of Supervisors
- Create a Public Private Partnership Task Force to begin exploring use of Private Equity in Affordable Housing

2026



Q1 (January – March 2026):

- Meet with Irvine Community Land Trust to discuss establishment process
- Implement Inclusionary Housing Ordinance Amendment

Q2 (April – June 2026):

- Implement Short Term Rental Ordinance
- Conduct study for establishment of a Community Land Trust

Q3 (July – September 2026):

- Develop a Public Private Partnership Framework
- Attend Bisnow Public-Private Partnership Conference

Q4 (August – December 2026):

- Present Community Land Trust study findings to Board of Supervisors
- Continue expediting 6th Cycle Housing Element programs

2027



Q1 (January – March 2027):

- Continue expediting 6th Cycle Housing Element Programs

Q2 (April – June 2027):

- Establish Community Land Trust Steering Committee
- Attend Public-Private Partnership (P3) Conference & Expo

Q3 (July – September 2027):

- Establish missions, goals, legal, and organization structure of the Community Land Trust

Q4 (August – December 2027):

- Convene meetings with private equity firms (based on outreach and research performed)

APPENDIX



Rendering of Perkins Place Mixed-Use Development, New Cuyama
Source: Santa Barbara County



Rendering of Jacaranda Court Development, City of Santa Barbara
Source: Santa Barbara Independent

The appendix includes a series of memorandums that cover various areas of analysis conducted to identify the specific needs related to workforce housing in Santa Barbara County. These memorandums examine key factors such as housing demand across different AMI levels, current workforce housing supply, and gaps in affordability. They also provide recommended implementation actions for the County, focusing on strategies to increase the stock of affordable workforce housing. These actions include policy adjustments, potential funding mechanisms, employer-sponsored housing models, public-private partnerships, preservation of existing affordable housing stock, among other recommendations that can be advanced to address housing needs in alignment with workforce housing goals.

Memorandums included in the Appendix are as follows:

- Affordability Gap Analysis
- Analysis of Existing County Programs and Model Programs in Similar Communities
- Employer Sponsored Housing Models for Replication
- Funding Opportunities and Financing Resources
- Preservation and Retention of Affordable Housing Stock
- County Housing Opportunity Sites
- Stakeholder Outreach



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Lucille Boss, Housing Programs Manager, County of Santa Barbara

Housing Authorities

Housing Authority of the County of Santa Barbara

Housing Authority of the City of Santa Barbara

School Districts

Goleta Union Unified School District
Lompoc Unified School District

Consultants

Harris & Associates

Community organizations and Housing

Advocates

Housing Trust Fund of Santa Barbara County
Santa Barbara Foundation League of Women Voters Coastal Housing Partnership

Habitat for Humanity of Southern Santa Barbara County

People's Self-Help Housing Corporation

Developers

Urban Planning Concepts, Inc
Snyder Langston

The Oak Creek Company

Frank Thompson Housing Consultants

Chambers of Commerce

Santa Barbara South Coast Chamber of Commerce



Information presented in this document is based on analysis conducted on knowledge of the County, stakeholder engagement performed to date, and data received to date.