



# BOARD OF SUPERVISORS AGENDA LETTER

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Submitted on:**  
**(COB Stamp)**

**Department Name:** Community Services  
**Department No.:** 057  
**Agenda Date:** August 26, 2025  
**Placement:** Administrative Agenda  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority

**TO:** Board of Supervisors  
**FROM:** Department Director(s): Jesús Armas, Community Services Director  
Contact: Joe Dzvonik, Assistant Director, Housing & Community Development  
Lucille Boss, Housing Programs Manager  
**SUBJECT:** Annual Update: Inclusionary Housing Ordinance

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## County Counsel Concurrence

As to form: Yes

## Other Concurrence: Planning & Development

As to form: Yes

## Auditor-Controller Concurrence

As to form: Yes

## Recommended Actions:

That the Board of Supervisors:

- Receive and file the 2025 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements; and
- Determine that the proposed actions are exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15378(b)(4), finding that the actions are creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment.

## Summary Text:

The County's Inclusionary Housing Ordinance (IHO), County Code Chapter 46A, requires the Director of the Community Services Department (CSD) to report annually to the Board of Supervisors on the status of inclusionary housing requirements and activities undertaken with the in-lieu inclusionary housing fee fund.

## Discussion:

This report on the County's inclusionary housing requirements and the annual in-lieu inclusionary housing fees is effective as of the date of the Board's action on this item. The IHO provides for the

Board to receive and file the report, but does not require the Board to approve the adjustments to the inclusionary housing requirements or in-lieu fees.

**Background:**

The purpose and intent of the IHO is to increase the supply of affordable housing units, retain the long-term affordability of affordable housing units, and implement policies of the Housing Element of the Comprehensive Plan. The Board adopted the IHO more than a decade ago. Since that time the need for affordable housing has increased, and the State legislature has passed many new housing laws. On March 18, 2025, the Board adopted Ordinance 5243 which included the following amendments to the IHO:

- Replace the residential second unit provision to include Accessory Dwelling Units (ADUs),
- Increase the length of time the unit retains the sales price restriction from 45 to 90 years,
- Apply the IHO to rental housing developments, and
- Make changes as required to comply with current State law.

The IHO requires an annual CSD review and adjustment of inclusionary housing requirements, as well as expenditures, reporting, and annual adjustments of in-lieu inclusionary housing fees; adjustments were made to each HMA's in-lieu fees (Attachment A).

Inclusionary housing requirements apply to projects within the South Coast, Santa Ynez, Lompoc, and Santa Maria Housing Market Areas (HMAs). Projects in the Cuyama HMA are exempt as the median home prices and rents already fall within the affordable category. No adjustments to ownership projects under the IHO requirements were made based on the home sales price records (as recorded by the County Assessor) for any HMA over a twelve-month period. Requirements for rental projects are derived from the multifamily rental unit data for each HMA (as recorded by Yardi Matrix software). Requirements are waived for the Moderate and Workforce categories for the Santa Ynez, Santa Maria and Lompoc HMA, as the median rent in those areas is affordable for those respective income categories. However, the requirement to produce affordable housing units or pay an in-lieu fee is only waived for the Workforce income category in the South Coast HMA as the median rent is affordable only to its Workforce-income households.

The updates to the 2025 in-lieu fees are based on data from the most recent condominium sales activity in 2024 (obtained from the County Assessor's Office). Due to fluctuations in the median sales prices of condominiums reported in each HMA between the 2024 and 2025 Closed Roll data, the in-lieu fee amounts have increased for the Santa Barbara, Santa Ynez, and Santa Maria HMAs and decreased for the Lompoc HMA. The median sales prices for condominiums in the South Coast, Santa Ynez, and Santa Maria HMAs increased, while the median sales price for condominiums in the Lompoc HMA decreased. As a result, adjustments were made to each HMA's in-lieu fees.

In-lieu fees are used for qualifying projects where the development and/or rehabilitation of affordable housing and special needs housing projects is included as part of the project description. Between August 1, 2024 and July 31, 2025, no project has contributed in-lieu fees to the County's Housing Trust Fund, a pattern expected to continue in the current fiscal year. Between August 1, 2024 and July 31, 2025, the County did not approve planning permits for any housing projects using the IHO. In contrast, the County approved planning permits for 4 multifamily housing projects with 163 units under State Density Bonus Law. Two (2) residential housing projects have satisfied IHO requirements by providing price restricted affordable housing units under the provisions of California's State Density Bonus Law (SBDL):

1. Ocean Meadows Residential Development in District 2, Case No. 19DVP-00000-0002, which constructed 6 Affordable rental units available to Low income households

2. Santa Barbara Polo Villas in District 1, Case No. 17TRM-00000-0002 which constructed 6 Affordable ownership units available to Low and Moderate-income households.

Program 4 of the Housing Element calls for the preparation of a report evaluating the effectiveness of the IHO in the provision of affordable housing. Changes in state law combined with decisions by developers to utilize density bonus options rather than the IHO certainly raise questions as to whether the IHO should be modified. This report is not intended to serve as the vehicle for consideration of possible revisions, but is something the staff will assess and return to the board at a later date.

On January 14, 2025, the Board approved funding \$400,000 of in-lieu funds toward a 3-D Printed Home in Goleta sponsored by the Housing Trust Fund of Santa Barbara County. On May 6, 2025, the Board approved funding in the amount of \$194,800 for the acquisition and rehabilitation of a deed-restricted unit in Summerland, and authorized the sale of the property to another Very-low income household, extending the affordability term by 90 years.

CSD intends to use a portion of the in-lieu fees currently available to allocate toward projects and programs recommended by the County’s Workforce Housing Study, and will return to the Board for approval at a later date.

**Fiscal Analysis:**

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.

Funding Source	FY 2024-25, 2025-26
In-Lieu Fees (Local South Coast and Local County-wide): Acquisition & Rehab	\$194,800
In-Lieu Fees (Local County-wide): 3D Printed Home	\$400,000
<b>Total</b>	<b>\$594,800</b>

**Special Instructions:**

After Board action, please return a copy of the Minute Order to Andrew Kish via e-mail at [AKish@countyofsb.org](mailto:AKish@countyofsb.org).

**Attachments:**

**Attachment A** – Inclusionary Requirement Calculations for FY 2025

**Contact Information:**

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