



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
123 E. Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: September 12, 2017
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)

Contact Info: Dinah Lockhart, Community Services Deputy Director (805) 568-3523

SUBJECT: County Inclusionary Housing Ordinance – Annual Updates to Affordable Housing Inclusionary Housing Requirements and In-Lieu Inclusionary Housing Fees

County Counsel Concurrence

As to form: Yes

Planning and Development:

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a 2017 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements, which provides the Board with (1) an annual update and adjustments to the County's in-lieu inclusionary housing fees, and (2) an update and adjustments of the County's inclusionary housing requirements; and,
- B. Determine that the receipt and filing of annual updates and adjustments to Inclusionary Housing Requirements and In-Lieu Inclusionary Housing Fees are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guideline section 15061(b)(3), finding that the activities are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and where it can be seen with certainty that there is no possibility that the activities in question may have a significant effect on the environment, the activities are not subject to CEQA, and direct staff to file a Notice of Exemption (Attachment A).

Auditor-Controller Concurrence

As to form: N/A

Summary Text:

The County’s Inclusionary Housing Ordinance, Ordinance No. 4855 (IHO) directs that a report on the County’s inclusionary housing requirements with any necessary revisions and the annual in-lieu inclusionary housing fees with any needed adjustments be received and filed by the Board. (The IHO does not require the Board to approve the adjustments to the 2017 inclusionary housing requirements or the 2017 in-lieu fees). The IHO was codified under County Code Chapter 46A. The IHO allows developers to satisfy the County’s inclusionary housing requirements by paying in-lieu fees instead of providing affordable housing units on-site. Projects located within the Cuyama Housing Market Area are exempt from inclusionary housing requirements as provided in Section 46A-3 of the Inclusionary Housing Ordinance. Changes this year include the adjustment of the in lieu fee amounts for each housing market area and no change from 2016 in inclusionary housing requirements.

Background:

The IHO requires new residential projects with five or more units to construct a percentage of the units as affordable housing units. The IHO affords developers the option of satisfying the inclusionary housing requirements by paying fees in lieu of providing affordable units on-site. In-lieu fees are deposited in the County’s Housing Trust Fund and used to fund the development or rehabilitation of very low- and low-income housing, special needs housing, senior housing, and to assist non-profit organizations and other governmental agencies to provide or preserve affordable housing in the County. The adjustments to the 2017 in-lieu fees are based on data from the most recent condominium sales activity in 2016, which the Community Services Department (CSD) obtained from the County Assessor’s Office. In-lieu fees shall be reviewed and updated periodically by the County’s Housing and Community Development Division (HCD) as necessary.

Inclusionary Housing Requirements:

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

The following factors must be incorporated into any such determination of residential market affordability into the Monthly Mortgage Payment for Purchase Median Home Sales Price calculation:

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

In summary, the following adjustments were made by CSD after an annual review of inclusionary housing requirements, which was completed in the third quarter of 2017:

- Inclusionary housing requirements (including for developments of five to nineteen lots/units) for the moderate and workforce income household categories are waived for FY 2017 for the Santa Maria and Lompoc HMAs as the median home price is deemed affordable for those categories using the factors identified above.

The adjustments to the Inclusionary Housing Requirements were based on home sales price records for each HMA over a twelve-month period as recorded by the County Assessor. The results of the 2017 Annual Adjustment of the Inclusionary Housing Requirements are shown in the following table:

Housing Requirements for the Inclusionary Housing Ordinance FY 2017-18
 (There are no changes from last FY 2016-2017)

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

Section 46A-6(b) of the IHO provides for CSD to annually report to the Board on the status of in-lieu inclusionary housing fees paid pursuant to section 46A-4(b) and affordable housing and special needs housing activities undertaken with the In-Lieu Inclusionary Housing Fees. In April 2017, the Board approved a grant in the amount of \$300,000 from the In-Lieu Inclusionary Housing Fund to Habitat for Humanity for a three unit affordable for-sale housing project in Carpinteria.

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

The following table shows the updated in-lieu fees for 2017 and the prior year’s 2016 fees for comparison:

In-Lieu Fees for the Inclusionary Housing Ordinance

Housing Market Area (HMA)	2016 Very Low & Low	2017 Very Low & Low	2016 Moderate & Workforce	2017 Moderate and Workforce
South Coast	\$153,600	\$150,600	\$573,900	\$562,700
Santa Maria	\$72,300	\$79,600	\$185,500	\$204,300
Santa Ynez	\$103,500	\$115,200	\$305,400	\$340,000
Lompoc	\$69,100	\$77,300	\$158,100	\$176,800

In-Lieu Fee Update for Very Low and Low Units based on % change in median sales price of condominiums

HMA	2015 Median Sales Price of Condominiums	2016 Median Sales Price of Condominiums	% Change	2016 In-Lieu Fee	2017 In-Lieu Fee	\$ Change
South Coast	\$675,141	\$661,980	-1.95%	\$153,600	\$150,600	-\$3,000
Santa Maria	\$218,278	\$240,310	10.09%	\$72,300	\$79,600	+\$7,300
Santa Ynez	\$359,281	\$400,000	11.33%	\$103,500	\$115,200	+\$11,700
Lompoc	\$186,000	\$208,000	11.83%	\$69,100	\$77,300	+\$8,200

In-Lieu Fee Update for Moderate and Workforce Units

HMA	2016 Median Sales Price of Condominiums	15% of Median Sales Price of Condominiums	2017 In-Lieu Fee
South Coast	\$661,980	\$99,280	\$562,700
Santa Maria	\$240,310	\$36,010	\$204,300
Santa Ynez	\$400,000	\$60,000	\$340,000
Lompoc	\$208,000	\$31,200	\$176,800

Median Condominium Sales Price by HMA, 2010-2017

Year	HMA			
	South Coast	Santa Maria	Santa Ynez	Lompoc
2010 (released July '11)	\$477,292	\$168,257	\$232,884	\$181,355
2011 (released July '12)	\$474,351	\$134,000	\$255,000	\$180,000
2012 (released July '13)	\$415,000	\$139,740	\$241,867	\$123,050
2013 (released July '14)	\$487,704	\$187,500	\$310,000	\$120,544
2014 (released July '15)	\$573,738	\$204,200	\$383,591	\$188,696
2015 (released July '16)	\$675,141	\$218,278	\$359,281	\$186,000
2016 (released July '17)	\$661,980	\$240,310	\$400,000	\$208,000

Fiscal and Facilities Impacts:

Budgeted: Yes

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

Special Instructions:

Return a copy of the Minute Order to Margo Wagner, HCD, Property Management Program.

Attachments:

Attachment A – CEQA Notice of Exemption

Attachment B – Inclusionary Housing Ordinance No. 4855

Authored By:

Margo Wagner, Senior Housing Program Specialist

Andrew Kish, Housing Program Specialist II

cc:

Glenn S. Russell, PhD, Director, Planning and Development