COUNTY of
SANTA BARBARA

one COUNTY one FUTURE

Affordability Gap

Task 2 Memorandum

Harris & Associates

Table of Contents

EXECUTIVE SUMMARY

In performing an analysis of the Workforce Housing Affordability Gap within the County of Santa Barbara, Harris & Associates ("Harris") worked to determine what level of housing cost is affordable for local workforce households, followed by a comparison to the typical sales and rental housing costs for County households.

The County's existing Inclusionary Housing Ordinance defines 'Workforce' as households earning between 120% - 200% of the Area Median Income. The results of a comprehensive analysis of employment, income, real estate, and other housing cost data and trends indicate that the income levels that qualify as Workforce differ between rental and ownership housing types, as illustrated below.

Rental

30-120% AMI

Ownership

120-200% AMI

Harris' revised definition of Workforce incomes with respect to rental housing encompasses several income categories. Specifically:

Rental or Ownership	Workforce Category	Area Median Income
Rental	Very Low Income Workforce	30 % - 50%
	Low Income Workforce	51% - 80%
	Moderate Income Workforce	81% - 120%
Ownership	"Missing Middle"/Above Moderate Income Workforce	121% - 200%

The findings and analysis detailed in this memo will help to inform strategies to increase and preserve existing rental and ownership housing stock according to an updated and specific definition of Workforce housing. Harris recommends that the County consider the following actions:

- **Changes to County ordinances to address the need for rental vs. ownership.**
- **Replication of existing workforce projects and programs.**
- **Funding mechanisms (private equity investment, state grants, local bond measure, etc.) to support County efforts to preserve and develop affordable workforce housing.**
- **Tailoring preservation and development efforts based on available resources and different income ranges for workforce rental and ownership housing.**

1 EMPLOYMENT GROWTH

Findings Overview

70% workers classified as Low, Very Low ,or Extremely Low Income *(little change between 2018 and 2022).*

# of Very Low Income workers increased by 40%.

# of Low Income workers decreased by 44%.

# of Moderate Income jobs decreased from 5% in 2018 to 0% in 2022.

# of Above Moderate Income jobs increased by 15%.

By 2022, three of the four largest occupation categories in the County (representing 23% of total jobs) were considered Very Low Income

Background

Using American Community Survey Census data, employment growth in the County between 2018 and 2022 was analyzed to determine the following:

- The changes (increases or decreases) in occupation and job types.
- The changes in median salaries for each job type.
- The total number and percentage of jobs in the income categories as determined by the California Department of Housing and Community Development pursuant to State Income Limits for 2018 and 2022 published by the Department.[1]

The income categories defined by the California Department of Housing and Community Development include the following (as shown in **Table 1**):

Table 1: 2018 and 2022 State Income Categories for Santa Barbara County (2-Person Household)

Income Category	2018	2022
Median Income	**$63,700**	**$80,100**
Extremely Low	< $24,100	$12,000 - $33,550
Very Low Income	$24,101 - $40,150	$33,551 - $55,900
Low Income	$40,151 - $64,250	$55,991 - $89,550
Moderate Income	$64,251 - $76,400	$89,551 - $96,100
Above Moderate Income	> $76,400	> $96,100

Source: *California Department of Housing & Community Development State Income Limits, 2018 & 2022, 2-person household (https://www.hcd.ca.gov/grants-and-funding/income-limits)*

[1] https://www.hcd.ca.gov/grants-and-funding/income-limits#:~:text=Acutely%20low%20income%3A%200%2D15,0%25%20to%2080%25%20of%20AMI

Findings

The most significant overall finding is that although the total number of jobs in the County only increased by 1%, *the distribution of the employee income categories shifted dramatically* in the Very Low, Low and Moderate Income categories. More specifically:

- The number of workers with salaries in the Moderate Income category declined from 5% to 0% 2018 and 2022.
- The number of Very Low Income jobs increased significantly (40%) while Low Income jobs decreased by 44%.
- The number of Above Moderate Income jobs only increased 15%, suggesting that the decrease in Low Income jobs was a result of a portion of Low Income jobs changing to Very Low Income jobs (which increased by 40%) as salaries for some job categories did not keep pace with County median income increases. Again, the total number of jobs in the County only increased by 1% over the five year period. However, the distribution of job income categories changed significantly.

Table 2: 2018 and 2022 Employment and Income by Occupation shows the number of employees at each income level in 2018 and 2022, based on each occupation's median income during both years. The full analysis and census data pursuant to the findings above is located in Appendix B.

Using the data presented in **Table 2, Figure 1: Percent of Santa Barbara County Workers by Income Category, 2018-2022** illustrates how the percentage of workers in each income category changed between 2018 and 2022.

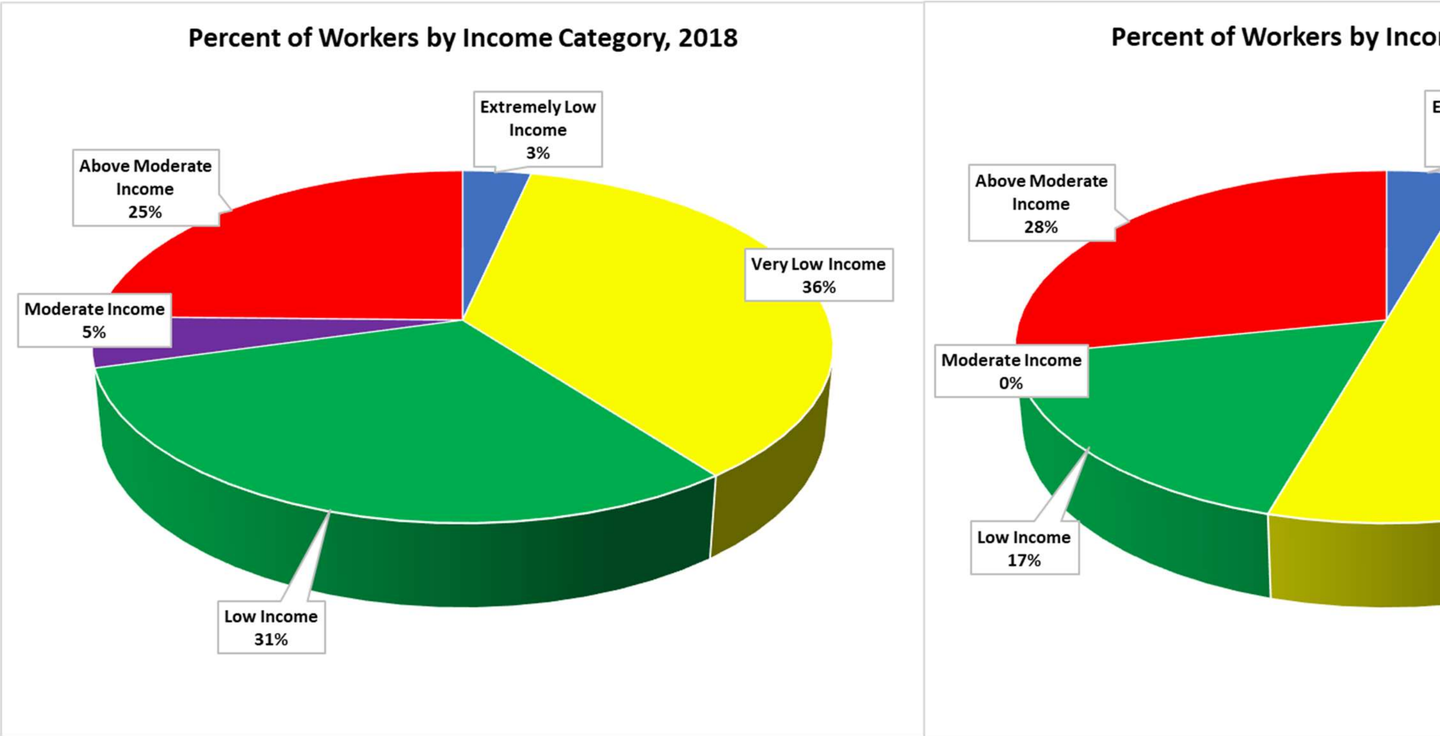
Figure 2: Median Income by Industry, 2018-2022 – Santa Barbara County visually depicts how the salaries in the different job categories compared to County median income during this 5-year period.

Table 2: 2018 and 2022 Employment and Income by Occupation (2-Person Household Income Limits) – Santa Barbara County

Occupation	2018		2022		2018-2022	
	Number of Employees	Median Income	Number of Employees	Median Income	# of Jobs	% Change
Total Jobs	**132,425**		**133,686**		**0.95%**	
Extremely Low Income	*4,561*	*3%*	*5,905*	*4%*	*1,344*	*29.47%*
Very Low Income	*47,901*	*36%*	*66,881*	*50%*	*18,980*	*39.62%*
Low Income	*41,135*	*31%*	*23,235*	*17%*	*-17,900*	*-43.52%*
Moderate Income	*6,137*	*5%*	*0*	*0%*	*-6,137*	*-100.00%*
Above Moderate Income	*32,691*	*25%*	*37,665*	*28%*	*4,974*	*15.22%*

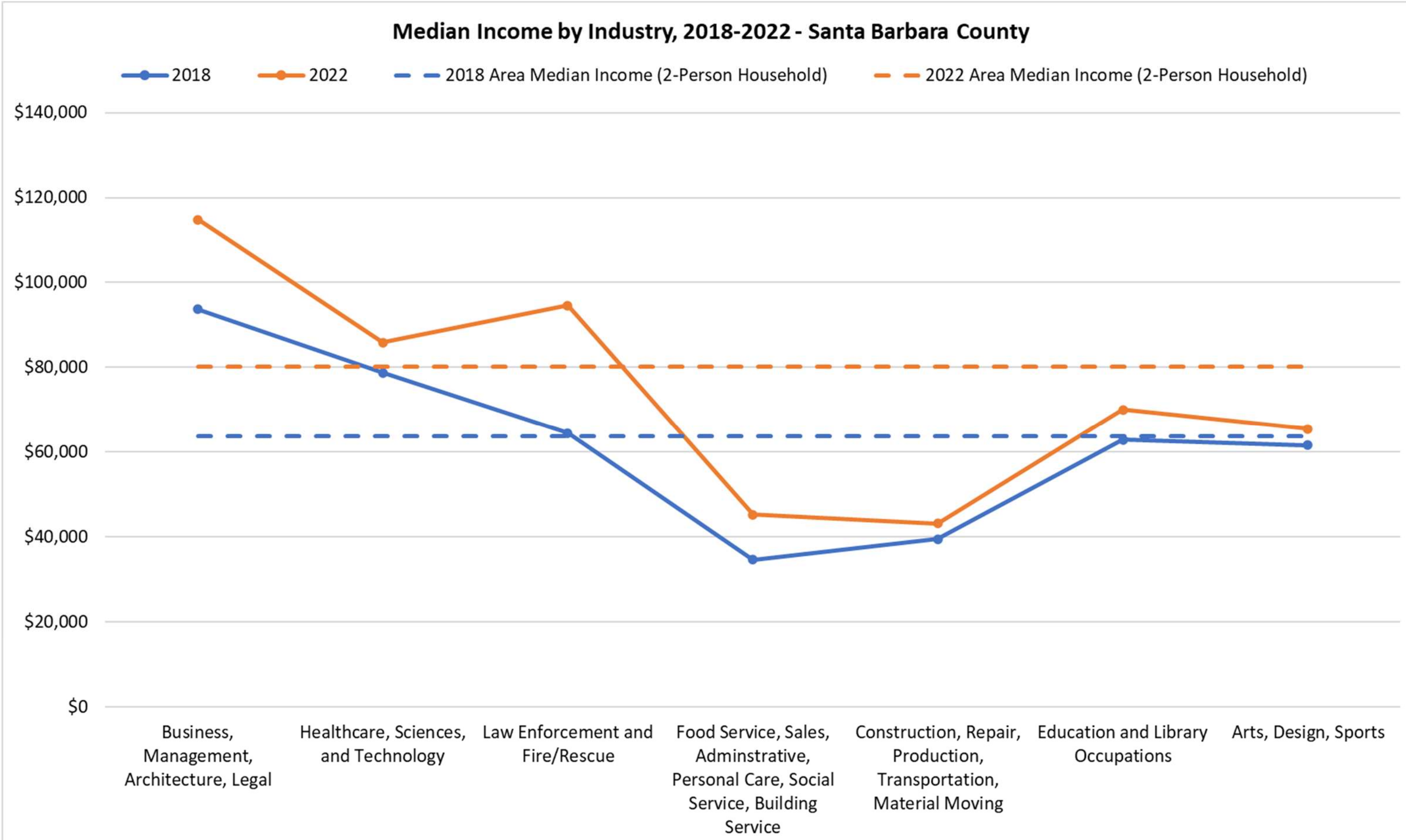
Sources: *California Department of Housing and Community Development State Income Limits, 2018 and 2022; American Community Survey 1-Year Estimates, Total Number of Full-Time, Year-Round Employees and Median Income by Occupation, 2018 and 2022. (https://data.census.gov/table/ACSST1Y2018.S2402?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSST1Y2022.S2402?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2018.B24021?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2022.B24021?t=Occupation&g=050XX00US06083)Income levels are based on California Department of Housing and Community Development State Income Limits for each year. (https://www.hcd.ca.gov/grants-and-funding/income-limits)*

Figure 1: Percent of Santa Barbara County Workers by Income Category, 2018 VS. 20



Sources: *California Department of Housing and Community Development State Income Limits, 2018 and 2022; American Community Survey 1-Year Es Time, Year-Round Employees and Median Income by Occupation, 2018 and 2022.* (https://data.census.gov/table/ACSST1Y2018.S2402?t=Occupation&g=050XX0 *https://data.census.gov/table/ACSST1Y2022.S2402?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2018.B24021?t=Occu https://data.census.gov/table/ACSDT1Y2022.B24021?t=Occupation&g=050XX00US06083)*

Figure 2: Median Income by Industry, 2018-2022 – Santa Barbara County



Source: *American Community Survey 1-Year Estimates, 2018 and 2022. (https://data.census.gov/table/ACSDT1Y2018.B24021?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2022.B24021?t=Occupation&g=050XX00US06083)*

The American Community Survey data presented in **Table 2** was used to determine the percentage of Santa Barbara County workers by income category during each year. This information is depicted in **Figure 1: Percent of Santa Barbara County Workers by Income Category, 2018 vs 2022.** As illustrated in the figure, Very Low Income workers made up the highest percentage of the County's workforce during both years. Furthermore, the percentage of Very Low Income workers increased significantly during this 5-year period, making up almost 50% of the workforce by 2022. Three of the four largest occupation categories in 2022 – "office and administrative support occupations," "sales and related occupations," and "building and grounds cleaning and maintenance occupations" – earned a median income that would be considered Very Low Income based on the 2022 State Income Limits.

This employment data demonstrates that 70% of the local "workforce" is employed with jobs that at Low Income and below. Therefore, the data indicates that the definition of Workforce Housing would need to match this data.

The next section examines housing costs to further refine the definition of Workforce Housing in the County.

Methodology

First, the California State Income Limits for Santa Barbara County, as published by the California Department of Housing & Community Development, were identified for 2018 and 2022 (the Department does not prepare this information for individual jurisdictions). ***Incomes for two-person households were utilized because this analysis links individual jobs created with the income for those jobs, as shown in the 2018 and 2022 United States Census Bureau's American Community Surveys data on employment growth in the County.***

It is important to note that the incomes in Table 3 are the upper end or maximum incomes in each income category.

Table 3: 2018 and 2022 State Income Limits for Santa Barbara County (2-Person Household)

Income Category	2018	2022
Extremely Low	$24,100	$33,550
Very Low Income	$40,150	$55,900
Median Income	**$63,700**	**$80,100**
Low Income	$64,250	$89,550
Moderate Income	$76,400	$96,100

Source: *CA Department of Housing & Community Development State Income Limits, 2018 & 2022, 2-person household. (https://www.hcd.ca.gov/grants-and-funding/income-limits)*

Second, American Community Survey (ACS) Census data was collected across all industry sectors for both 2018 and 2022[2] to determine the following:

- The total number of full-time, year-round workers/jobs by occupation.
- The median income for each occupation.

This data was used to determine how the number of workers, as well as median incomes, have increased and decreased across different job categories over the five-year period.

[2] At the time of the study, 2022 was the most recent year with American Community Survey (ACS) data available.

2 MAXIMUM INCOME FOR HOUSING COSTS

Figures 3 and 4 below analyze the most that households can spend on housing given gross income for 2-person households (data for 2 person households was utilized per the discussion in the previous section). The California Housing and Community Development Department's income limits for 2024 were used to calculate maximum housing costs in each income category.

Maximum housing costs were calculated according to the following methodology:

- Maximum **rental** housing costs were calculated as 30% of gross monthly income, per the United States Department of Housing and Urban Development (HUD) guidelines[3].
- Maximum **ownership** housing costs were calculated as 35% of gross monthly income to encompass additional costs such as homeowner's insurance, HOA fees, and maintenance of the property.

As of 2024, Santa Barbara County's median household income for a 2-person household is $95,300. **Table 4** shows how the maximum monthly housing costs are calculated for a 2-person household earning the 2024 Area Median Income. The subsequent figures illustrate how the maximum monthly housing costs would change for 2-person households at different income categories. This methodology is applied in the following sections on rental and ownership housing, which compare maximum housing costs with the market rents and median home values in the County.

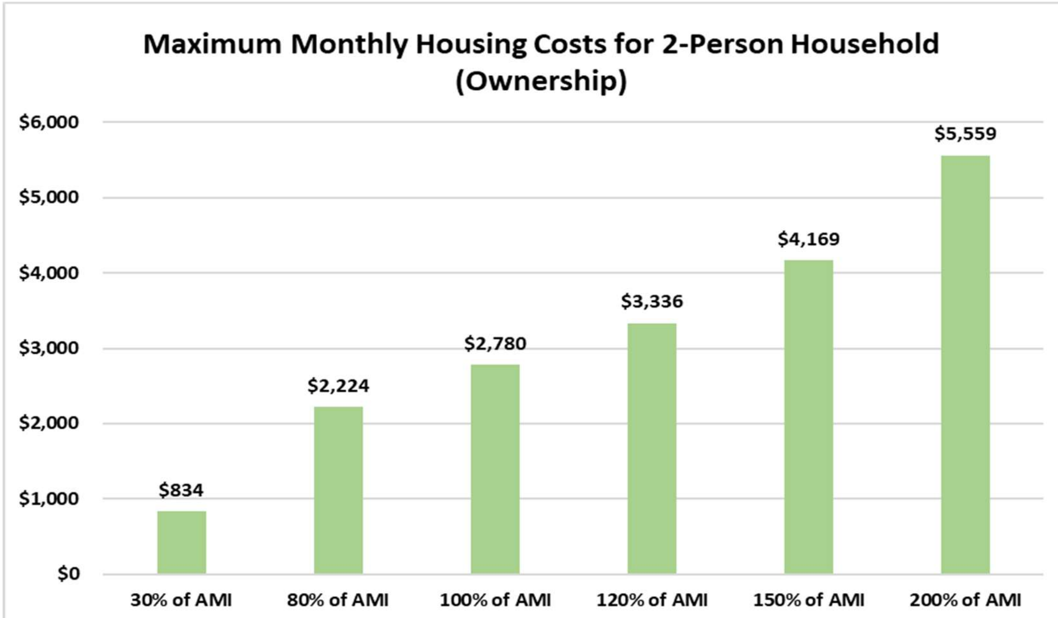
Table 4: Maximum Housing Cost Methodology

	2024 Area Median Income (2-Person Household)	Monthly Gross Income	Maximum Housing Cost Calculation	Maximum Monthly Housing Costs
OWNERSHIP HOUSING	$95,300	$7,942	35% of Monthly Income	$2,780
RENTAL HOUSING	$95,300	$7,942	30% of Monthly Income	$2,383

Source: *California Department of Housing and Community Development State Income Limits State Income Limits, 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf) Analysis calculates maximum ownership and rental housing costs as 35% and 30% of gross annual income, respectively.*

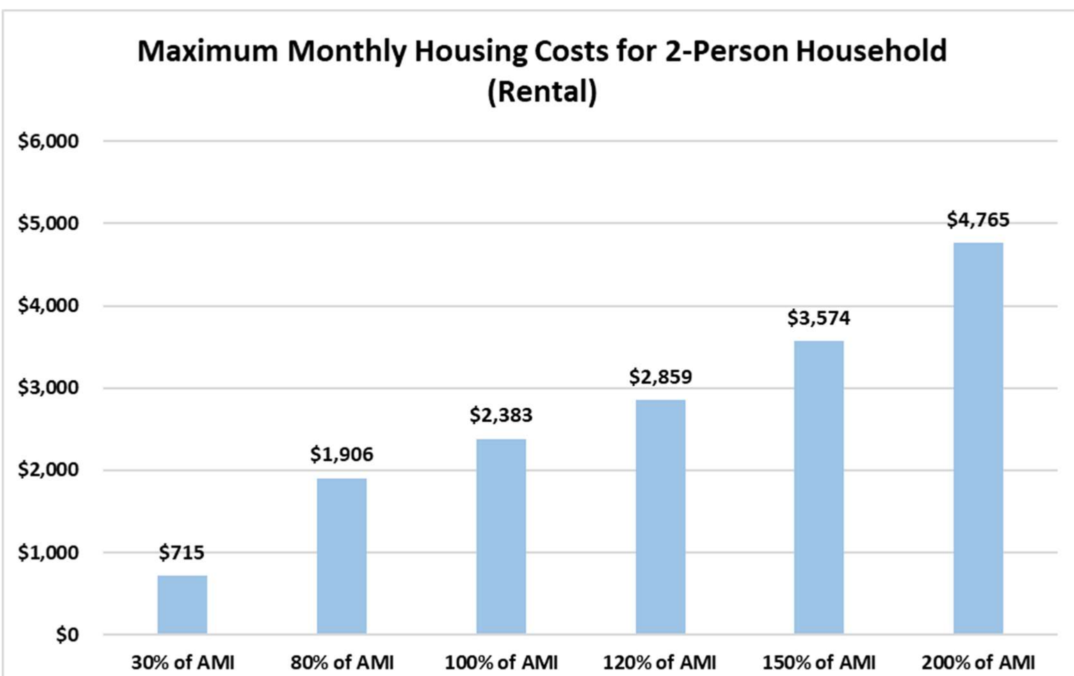
[3] California Department of Housing and Community Development. *Overpayment and Overcrowding.* Accessed June 28, 2024. https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks/overpayment-payment-and-overcrowding#:~:text=Current%20standards%20measure%20housing%20cost,their%20gross%20income%20for%20housing.

Figure 3: Maximum Ownership Housing Costs (2-Person Household)



Source: *California Department of Housing and Community Development State Income Limits State Income Limits, 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf) Analysis calculates maximum ownership housing costs as 35% of gross annual income.*

Figure 4: Maximum Rental Housing Costs (2-Person Household)



Source: *California Department of Housing and Community Development State Income Limits, 2024.* (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf) *Analysis calculates maximum rental housing costs as 30% of gross annual income.*

3 RENTAL HOUSING COSTS AND AFFORDABILITY GAP

Findings Overview

County-wide Median Rent and Area Median Income both increased by 50% between 2019 and 2024. However:

- **Very Low Income jobs have increased by 40% in the County**
- **Rents vary significantly by Housing Market Area.**

Households earning <120% of Area Median Income struggle to afford market-rate apartment rents.

Workforce Rental Housing = Households Earning 30%-120% of Area Median Income.

Background

Data on the current cost for rental housing and income was analyzed in order to determine if a gap between rental housing costs and maximum housing costs exist in the County. Data on commute times for those working in Santa Barbara County was also examined.

Commute Times

Santa Barbara County workers generally live within close proximity to their workplace; according to a January 2024 study from the Santa Barbara County Association of Governments:

- 90.5% of Santa Barbara County workers live within Santa Barbara County.
- 82% of individuals working in South Santa Barbara County commute from South Santa Barbara County homes.
- 85.6% of individuals working in North Santa Barbara County commute from North Santa Barbara County homes.[4]

Therefore, it is important to analyze rental housing affordability not only at the County-wide level, but also among each Housing Market Area.

[4] Santa Barbara County Association of Governments. "Understanding Regional Travel Patterns." Published January 2024, Accessed July 2024. https://www.sbcag.org/wp-content/uploads/2024/01/UnderstandingRegionalTravelPatterns.pdf

Housing Market Areas

Santa Barbara County, which encompasses over 2,730 acres of land area, is home to a large and diverse real estate market. Presently, the County is divided into four Housing Market Areas, which vary significantly with respect to median rent and home prices. The four Housing Market Areas are currently defined as follows:

- Santa Maria Housing Market Area
- Lompoc Housing Market Area
- Buellton Housing Market Area
- South Coast Housing Market Area

Rents by Housing Market Area

As shown in **Table 5** below, the **median rent varies by Market Area significantly**, with the South Coast Market Area as the most expensive and least affordable. In fact, per the previous section, none of the income categories or household sizes (even at 200% of Area Median Income) can afford to live in the South Coast Area (when Montecito is excluded from the median rent calculation, the remaining communities in the South Coast Market Area had an average rent of $4,296). However, rents in the remaining Market Areas are affordable to Moderate to Above Moderate households. Median rents exceed what is affordable to Low Income households and below.

Table 5: Median Rent (All Home Types) – Santa Barbara County Housing Market Areas

Housing Market Area	Median Rent (All Home Types) (May, 2024)[1]
Santa Maria	$2,800
Lompoc	$2,500
Buellton	$2,395
South Coast [2]	$7,237
County-wide	$3,304

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

[2] Median rent for South Coast Housing Market Area is calculated as an average of the median values for the Cities of Santa Barbara, Goleta, Carpinteria, Montecito, and Isla Vista.

Table 6 analyzes market rents for apartment units specifically in each Housing Market Area as of the first quarter of 2024. The information in **Table 6** was obtained from CoStar, a leading source of verified multi-family and commercial real estate data, which incorporates information from real estate websites such as apartments.com, as well as public record data and other third-party sources. CoStar's data indicated that rents are highest in the South Coast Housing Market Area (as shown in **Table 5** as well).

Table 6: Q1 Market Effective Rent (Apartments Only) – Santa Barbara County Housing Market Areas

Housing Market Area	Market Rent (All Apartments)[1]
Santa Maria	$2,059
Lompoc	$1,625
Buellton	$1,969
South Coast [2]	$2,507
County-wide	$2,221

[1] 2024 Q1 market effective rent, per CoStar Analytics (https://www.costar.com/).

[2] The Q1 Market Effective Rent for the South Coast Housing Market Area includes the Cities of Santa Barbara, Goleta, Carpinteria, Montecito, and Isla Vista.

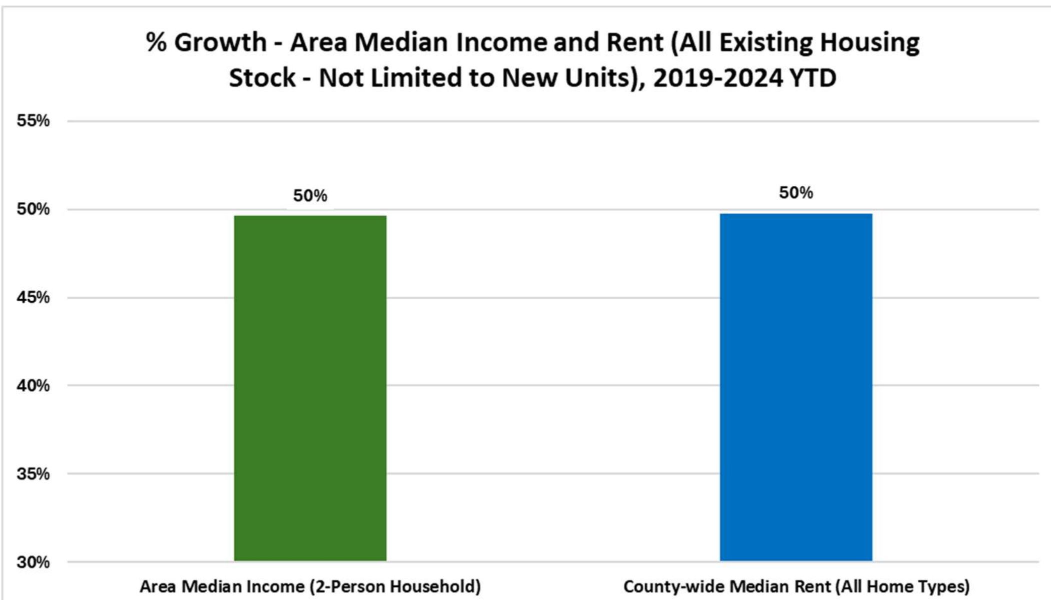
Findings

Income vs. Rent Growth

Figure 5 illustrates how median rents across the County have grown compared to the County's Area Median Income in recent years. Between May 2019 and May 2024, the County's Median Rent across all types and sizes of homes increased by 50%. Similarly, the Area Median Income for a 2-person household increased by 50% between 2019 and 2024. The data indicates that growth in Area Median Income is proportionate to the growth in median rents. However, the following data indicates that there is more to the story of the general medians throughout the County:

- The percentage of Very Low Income workers has grown significantly during this period, and represented the largest income category as of 2022.
- The California Department of Housing and Community Development calculates median income on a County-wide basis only (as one number) but rents vary significantly in different Housing Market Areas, especially the South Coast area.

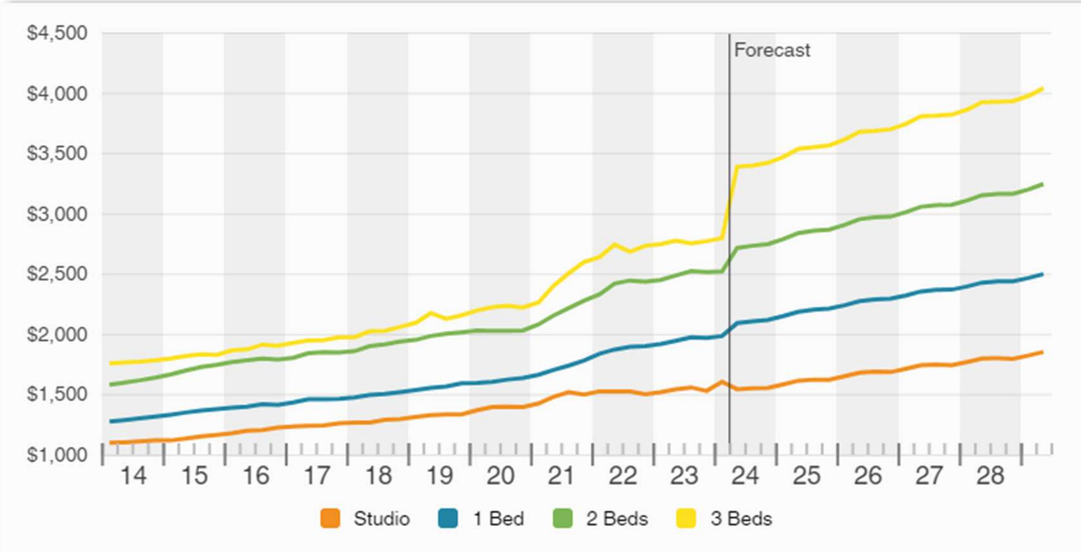
Figure 5: Changes in Area Median Income and Median Rent in Santa Barbara County



Source: *California Department of Housing and Community Development State Income Limits, Santa Barbara County (https://www.hcd.ca.gov/grants-and-funding/income-limits); Zillow Observed Rent Index, (https://www.zillow.com/research/data/)*

According to CoStar, the County's market effective rent for studio, one-bedroom, two-bedroom, and three-bedroom apartments in the first quarter of 2024 was $1,602, $1,982, $2,518, and $2,794, respectively. Furthermore, as shown in **Figure 6**, CoStar's forecast predicts consistent growth in market rents across all unit sizes, particularly 3-bedroom and 2-bedroom apartments. Specifically, market rents for 3-bedroom apartments are expected to increase by 47% between Q2 2024 and Q2 2029, while rents for 2-bedroom apartments are expected to increase by 27%.

Figure 6: Multi-Family Market Effective Rent per Unit by Bedroom – Santa Barbara County

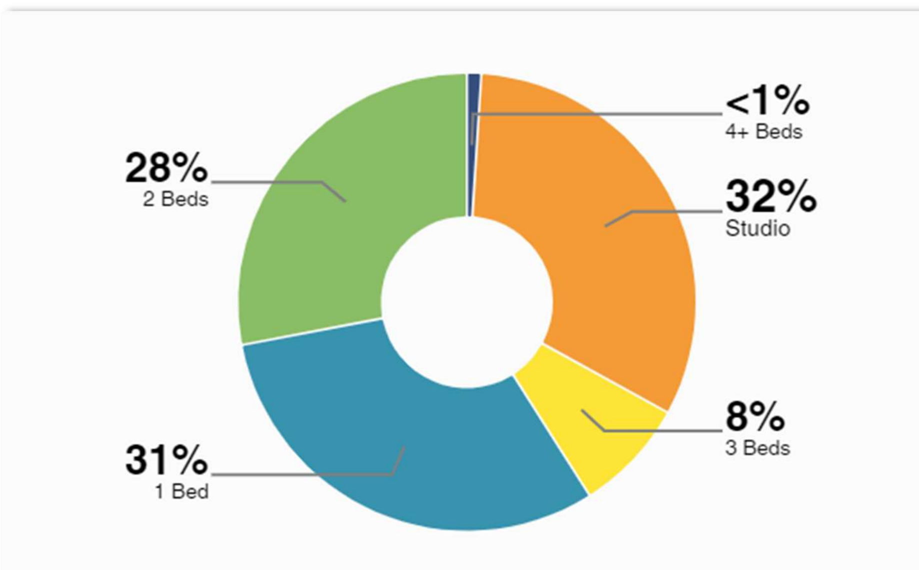


Source: *CoStar Analytics, Accessed 4/22/2024. (https://www.costar.com/)*

<u>Rental Unit Sizes</u>

As shown in **Figure 7: Total Multi-Family Units by Number of Bedrooms – Santa Barbara County**, <u>studio and 1-bedroom apartments make up 63% of all apartment units in the County, while apartments with two or more bedrooms make up 36% of all units. This indicates a low supply of apartments for families.</u> As indicated by CoStar's data, the relatively small supply of these larger units will lead to relatively high levels of rent growth in future years.

Figure 7: Total Multi-Family Units by Number of Bedrooms – Santa Barbara County



Source: *CoStar Analytics, Accessed 4/22/2024. (https://www.costar.com/)*

Market Rate Rents Compared to Incomes

Using CoStar's data on the market effective rent per unit size, including estimated utility expenses based on the 2024 Santa Barbara County Utility Allowances for each unit size, **Figures 8-12** on the following pages show the monthly income needed to afford a market-rate apartment compared to actual income levels for different household sizes. **Table 7** identifies which household sizes and income levels were used for different sizes of apartments.

Table 7: Apartment and Household Sizes - Market Rate Rents vs. Income Analysis

Apartment Size	Household Size	Income Levels Used (% of 2024 Area Median Income)
Studio	1-Person Household	80%, 100%, 120%, 150%
1-Bedroom	1-Person Household	80%, 100%, 120%, 150%
1-Bedroom	2-Person Household	80%, 100%, 120%, 150%
2-Bedroom	3-Person Household	80%, 100%, 120%, 150%
3-Bedroom	4-Person Household	80%, 100%, 120%, 150%

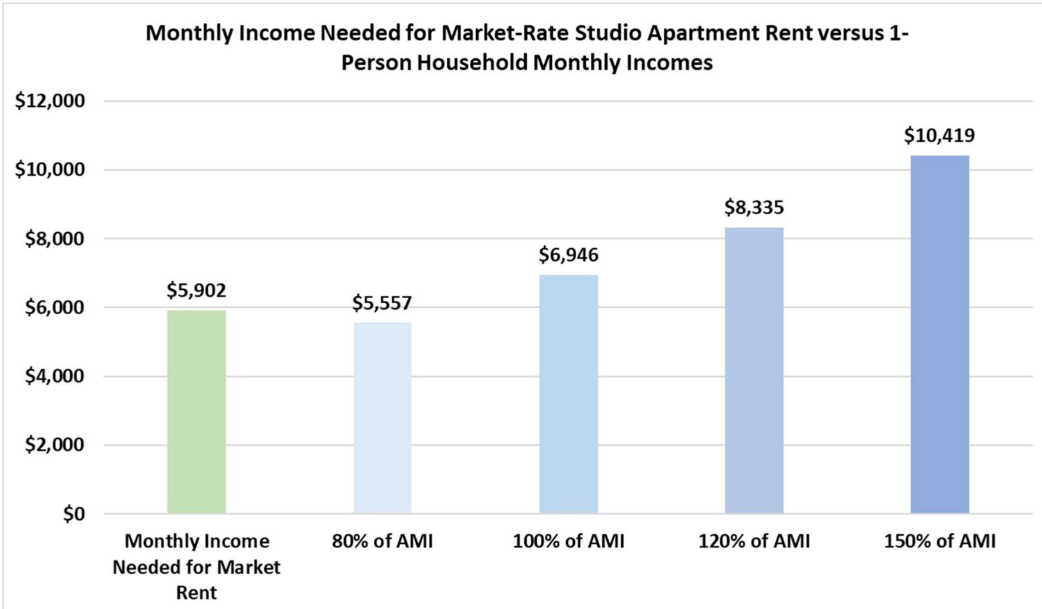
The analysis indicated that households earning between 120%-200% of the Area Median Income (the definition of Workforce housing pursuant to the County's existing Inclusionary Housing Ordinance) can afford the market effective rent (i.e., market rent does not exceed 30% of gross income at these levels). However, **Figures 8-12** indicated that households earning less than 120% of the Area Median Income struggled to afford the market apartment rent.

As a result of this data, **Harris recommended redefining the 'Workforce' income category to 30%-120% of the Area Median Income based on the affordability gap identified within this range.** This updated 'Workforce' definition assumes the following:

- 30% - 50% Very Low workforce
- 51% - 80% Low workforce
- 81% - 120% Moderate workforce

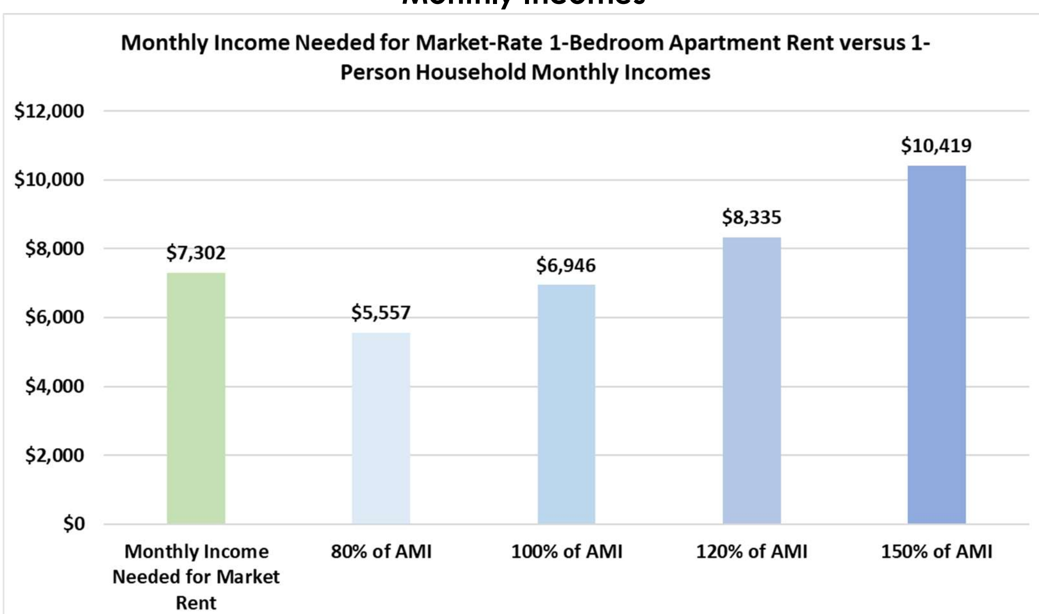
As Very Low Income and Low Income workers continue to make up a significant portion of the County's workforce, it is important to ensure that 'workforce' rental housing projects seek to accommodate lower income levels, rather than focus exclusively on Above Moderate Income households.

Figure 8: Monthly Income Needed for Market-Rate Studio vs. 1-Person Household Monthly Incomes



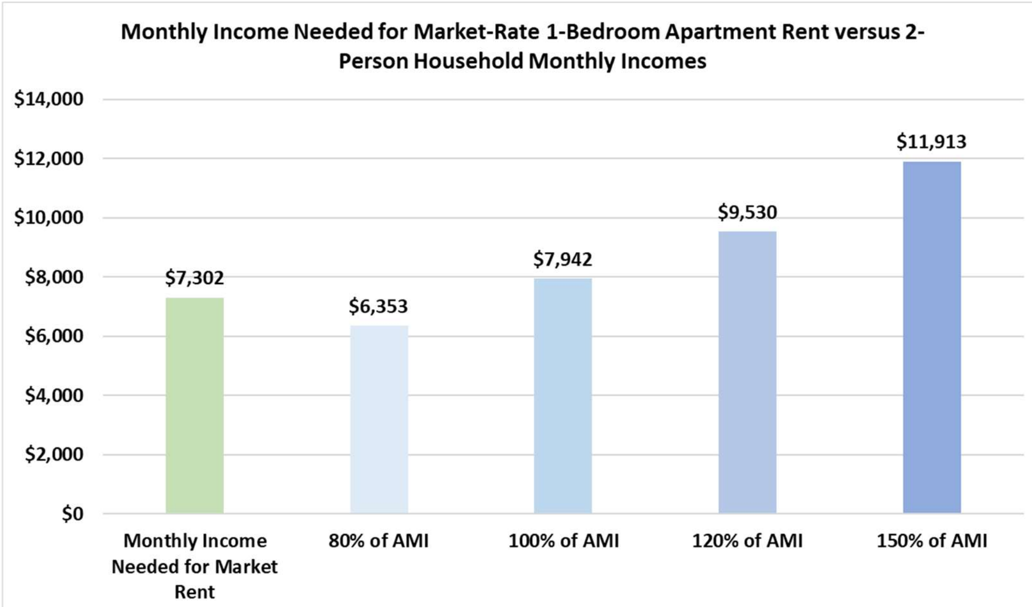
Source: *CoStar Analytics, Accessed 4/22/2024 (https://www.costar.com/). Incomes are based on California Department of Housing and Community Development State Income Limits for 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf)*

Figure 9: Monthly Income Needed for Market-Rate 1-Bedroom vs. 1-Person Household Monthly Incomes



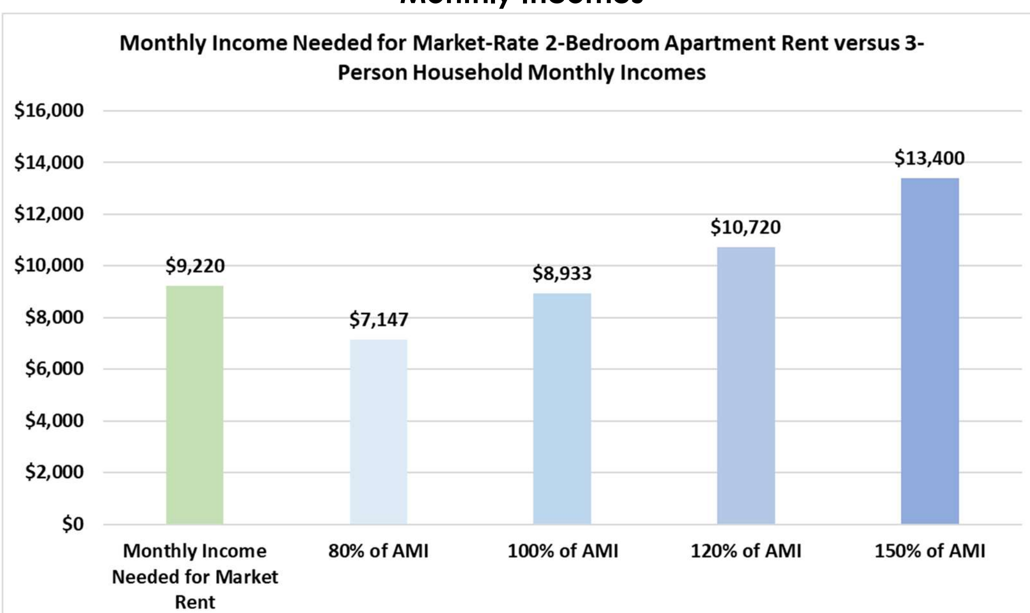
Source: *CoStar Analytics, Accessed 4/22/2024 (https://www.costar.com/). Incomes are based on California Department of Housing and Community Development State Income Limits for 2024. (*https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf*)*

Figure 10: Monthly Income Needed for Market-Rate 1-Bedroom vs. 2-Person Household Monthly Incomes



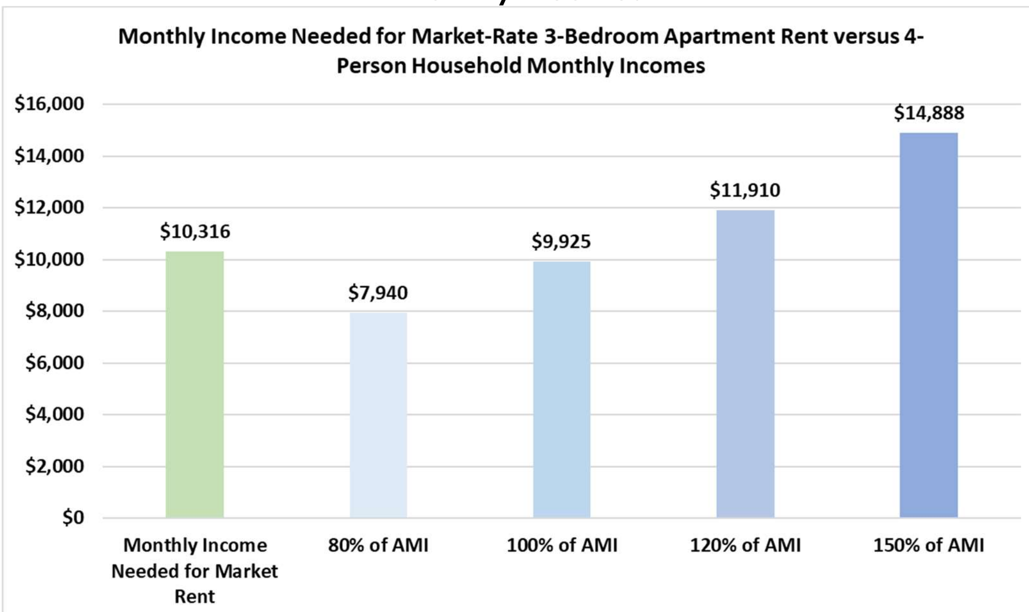
Source: *CoStar Analytics, Accessed 4/22/2024 (https://www.costar.com/). Incomes are based on California Department of Housing and Community Development State Income Limits for 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf)*

Figure 11: Monthly Income Needed for Market-Rate 2-Bedroom vs. 3-Person Household Monthly Incomes



Source: *CoStar Analytics, Accessed 4/22/2024 (https://www.costar.com/). Incomes are based on California Department of Housing and Community Development State Income Limits for 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf)*

Figure 12: Monthly Income Needed for Market-Rate 3-Bedroom vs. 4-Person Household Monthly Incomes



Source: *CoStar Analytics, Accessed 4/22/2024 (https://www.costar.com/). Incomes are based on California Department of Housing and Community Development State Income Limits for 2024. (https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf)*

Table 8 compares rents in each Housing Market Area with the maximum housing costs for 1-4 person households per the 2024 State Income Limits. The data indicates the following:

- Very Low Income, 1-person households are unable to afford market rent for any unit size, with the exception of studio apartments in the Lompoc Housing Market Area.
- 4-person, Moderate-income households can afford market rents for all units in all Housing Market Areas except for 3-bedroom units in the South Coast Housing Market Area.

Table 8: Q1 Market Effective Rent by Unit Size (Apartments Only) – Housing Market Areas

Housing Market Area	Market Rent (Studio - 3-Bed)[1]	Maximum Rental Housing Costs (Very Low - Moderate Income) 1-4 Person Households[4]
Santa Maria	$1,670 - $2,650	$1,424 - $3,573
Lompoc	$1,357 - $1,620	$1,424 - $3,573
Buellton [2]	$1,967 - $2,032	$1,424 - $3,573
South Coast [3]	$1,613 - $3,602	$1,424 - $3,573
County-wide	$1,602 - $2,794	$1,424 - $3,573

[1] Q1 Market Effective Rent information obtained from CoStar (https://www.costar.com/) for all Housing Market Areas. Data accessed June 27, 2024.
[2] No data available for studio or 3-bed apartments in Buellton Housing Market Area.
[3] The Q1 Market Effective Rent for the South Coast Housing Market Area includes the Cities of Santa Barbara, Goleta, Carpinteria, Montecito, and Isla Vista.
[4] Maximum housing costs are based on 2024 HCD State Income Limits, and are calculated as 30% of monthly income.

Methodology

- First, as detailed above, Zillow data was collected on median rents in the County across all home types. Harris analyzed the County-wide median rents, as well as the median rents across different Housing Market Areas. Harris used CoStar to collect market effective rent data for different apartment sizes across the County's four Housing Market Areas.
- Next, Harris compared the growth rate of the County's median rent with the growth rate of the Area Median Income between 2019 and 2024. Finally, Harris used the 2024 State Income Limits to determine whether different income levels could afford the market effective rent across different bedroom sizes, assuming that a household can spend up to 30% of its gross monthly income on rent. The findings of this analysis were used to:

  1) Determine whether the 'workforce' income range, as previously defined in the County's Housing Element Update (120%-200% of Area Median Income), could afford the market effective rent.
  2) Identify which income levels struggled to afford the market apartment rent.

Ultimately, the 'workforce' income levels were redefined based on the affordability gap identified in the analysis.

4 OWNERSHIP HOUSING COSTS

Findings Overview

Between 2019 and 2024, median home prices increased by 61% vs. a 50% increase in County's Area Median Income.

The annual income required to afford the County's median priced home is $281,792, or 300% of the 2024 Area Median Income for a 2-person household.

2- and 4-person households earning 200% of Area Median Income are unable to afford the County's median priced home.

Workforce Ownership housing = 120-200% Area Median Income.

Background

Home Prices and Income Data

Similar to the County's rental housing market, ownership housing costs vary significantly across the County's four Housing Market Areas. **Table 9** below depicts the median home values in each Housing Market Area, as well as the County as a whole, illustrating data collected for single-family homes, condominiums/co-ops, and the median value across all home types.

Table 9: Median Home Values – Santa Barbara County Housing Market Areas

Housing Market Area	All Home Types[1]	Single-Family	Condominium/ Co-Op
Santa Maria	$623,751	$632,447	$403,888
Lompoc	$567,602	$575,409	$380,055
Buellton	$918,810	$969,747	$698,557
South Coast [2]	$2,237,551	$2,452,209	$1,308,181
County-wide	$988,867	$1,051,723	$823,562

[1] Median home values as of May 31, 2024 according to Zillow data (https://www.zillow.com/research/data/) accessed June 24, 2024.
[2] Median home value for South Coast Housing Market Area is calculated as an average of the median value for the Cities of Santa Barbara, Goleta, Carpinteria, Montecito, and Isla Vista.

Actual ownership housing costs for a median priced home in the County were compared to maximum housing costs a 2-person households earning up to 200% of the County's

Area Median Income to determine affordability. The results of the analysis indicate that the income required to afford the median priced home significantly exceeded the annual income of 2-person and 4-person households earning 200% of the Area Median Income. In order to afford a median priced home, a household would need to earn $281,792 annually, which is roughly 300% of the Area Median Income for a 2-person household, or 240% of the Area Median Income for a 4-person household. Due to this significant affordability gap, Harris did not recommend adjusting the County's existing "workforce" income levels (120%-200% of Area Median Income) with respect to ownership housing.

Findings

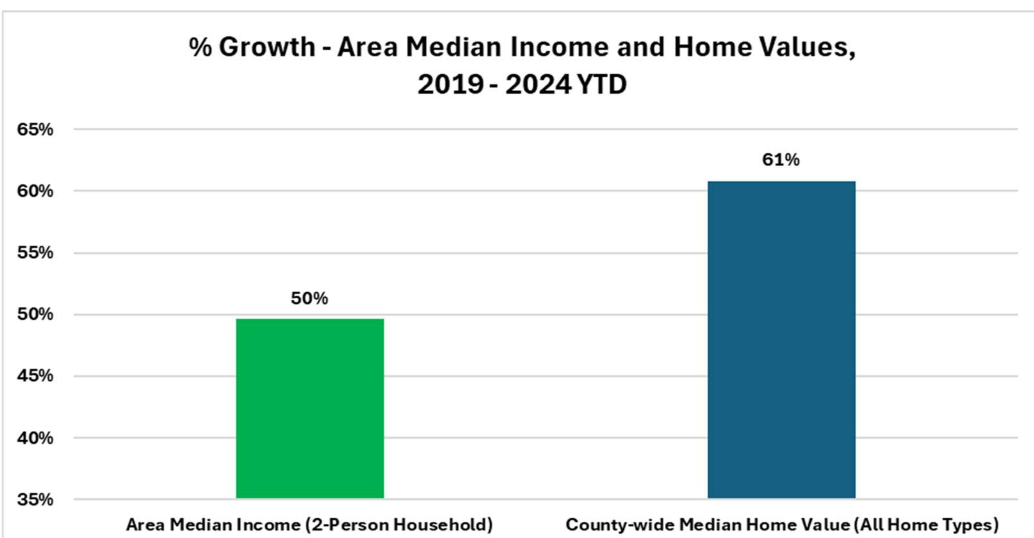
Home Price and Income Growth (2019-2024)

According to the Zillow Home Value Index (ZHVI), the median home value in Santa Barbara County was **$988,867** across all home types as of May 2024. When examining specific housing types, the median home values include:

- Single-family - $1,051,723 in May 2024 (63% increase from May 2019).
- Condominium/co-op - $823,562 in May 2024 (58% increase from May 2019).
- All home types - $988,867 (61% increase from May 2019).

As shown in **Figure 13** below, while the median home value across all home types grew by 61% between May 2019 and May 2024, the County's Area Median Income for a 2-person household increased by only 50% between 2019 and 2024. This disproportionate growth in home prices versus wages has weakened the average household's ability to afford a home in the County.

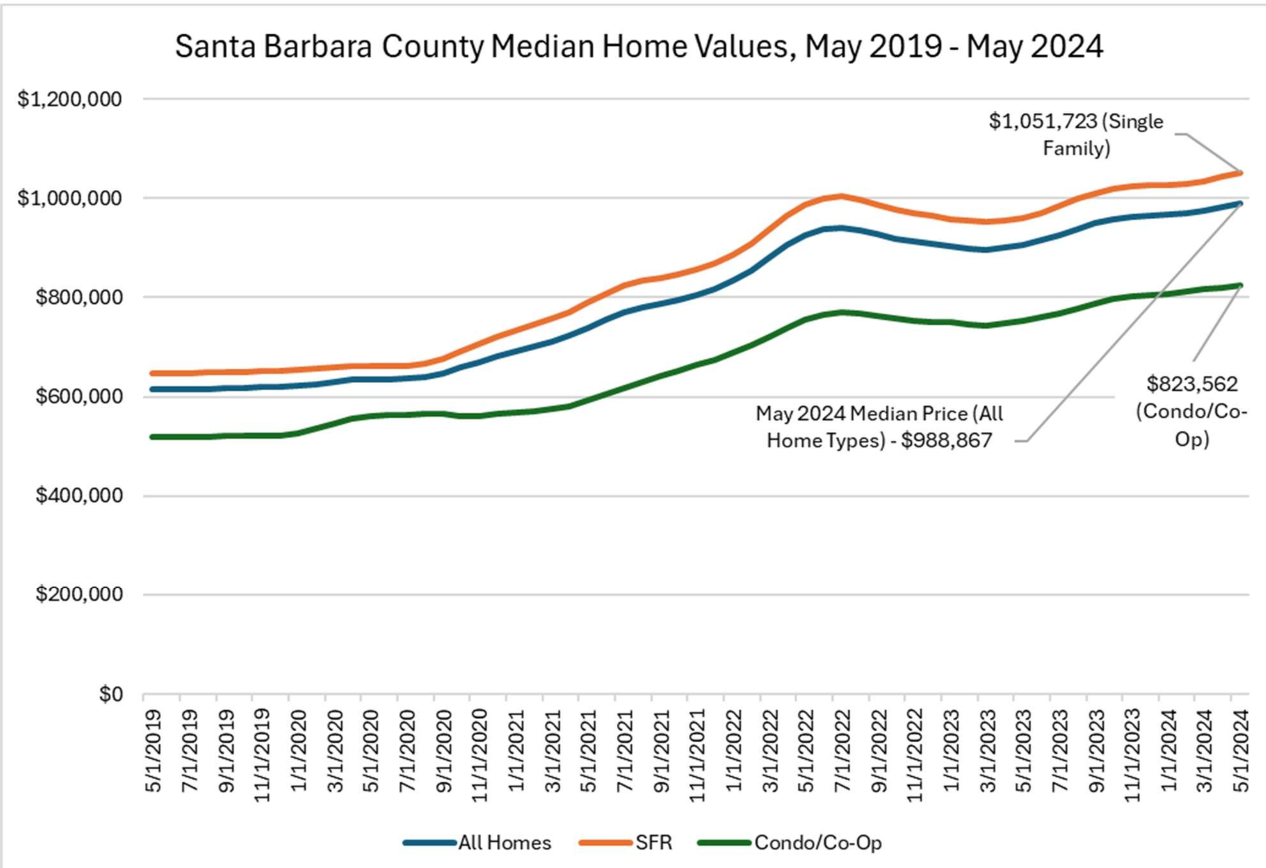
Figure 13: Changes in Area Median Income and Median Home Values in Santa Barbara County



Source: *California Department of Housing and Community Development State Income Limits, Santa Barbara County (https://www.hcd.ca.gov/grants-and-funding/income-limits); Zillow Home Value Index (ZHVI) (https://www.zillow.com/research/data/)*

Figure 14 illustrates the median home values in Santa Barbara County over the last 5 years.

Figure 14: Santa Barbara County Median Home Values, May 2019 – May 2024



Source: *Zillow Home Value Index (ZHVI) (https://www.zillow.com/research/data/)*

Housing Costs - Ownership

Table 10 estimates the total housing costs required for this median-priced home, and the annual gross household income needed (based on total housing costs at 35% of gross income) to cover these costs. Data provided below may be subject to change however is representative of information available at the time of the analysis.

Table 10: Income Required to Afford Median Home Ownership Price in Santa Barbara County

Housing Cost/Income Required	Cost
Median Priced Home (May 2024) [1]	$988,867
Estimated Monthly Homeowner's Insurance Payment [2]	$117
Estimated Monthly Property Taxes [3]	$915
Monthly HOA Fees [4]	$300
Monthly Principal & Interest Payments *(Bankrate)* [5]	$5,613
Monthly Utility Expenses [6]	$450
Monthly Maintenance Expenses [7]	$824
Total Monthly Housing Costs	**$8,219**
Total Annual Housing Costs	**$98,627**
Annual Household Income Required [8]	**$281,792**

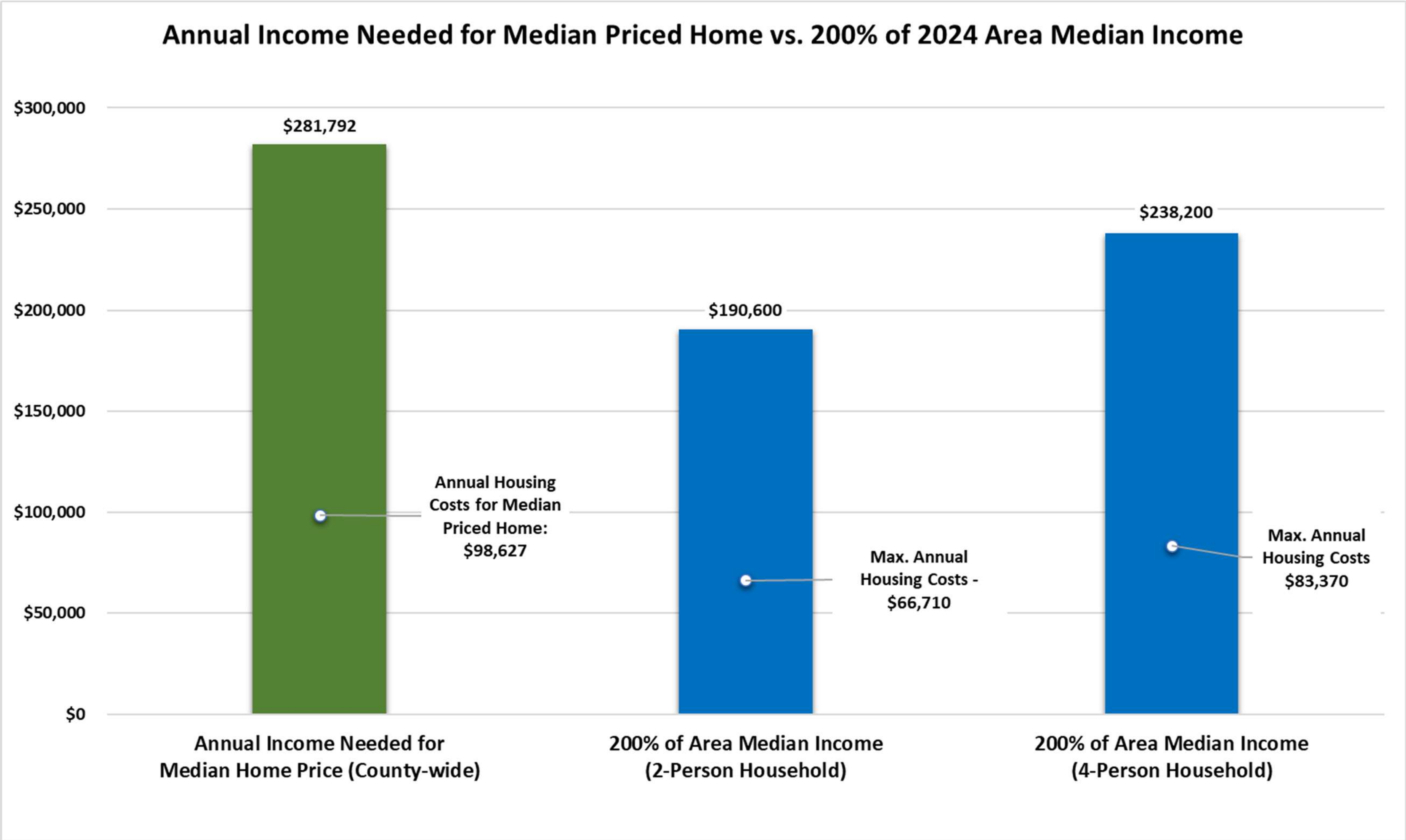
[1] Median Home Value in Santa Barbara County across all home types (Zillow Home Value Index, February 2024 data)
[2] Average monthly insurance premium in California, according to Bankrate. (https://www.bankrate.com/insurance/homeowners-insurance/homeowners-insurance-cost/#cost-by-state)
[3] Monthly property taxes calculated as 1.11% of the home purchase price divided by 12.
[4] Monthly HOA Fees estimated at $300 per Berkshire Hathaway Homeservices California. (https://blog.bhhscalifornia.com/what-are-hoa-fees-in-california/)
[5] Estimated P&I according to Bankrate mortgage calculator. Analysis assumes 30-Year Fixed Mortgage, 20% down payment, and 7.65% interest rate, and therefore does not account for private mortgage insurance.
[6] Utility expenses are estimated based on 2024 Santa Barbara County utility allowances.
[7] Analysis calculates annual maintenance expenses as 1% of home price.
[8] Analysis calculates ownership housing costs as 35% of gross annual income.

Several expenses were considered when estimating the total annual housing costs, including principal and interest payments, homeowner's insurance payments, property taxes, utilities, and homeowner's association fees. Annual maintenance expenses were estimated as 1% of the home price.

The analysis indicates that housing costs would equal approximately $8,219 each month, or $98,627 each year, for the median-priced home. Assuming these housing costs would make up 35% of annual income, **the analysis concluded that a household would need to earn approximately $281,792 to afford the median-priced home in Santa Barbara County.**

Figure 15 compares this income with income ranges for 2-person and 4-person households earning 200% of the County's 2024 Area Median Income. Under 2024 California Department of Housing and Community Development income limits, a 2-person household earning 200% of the Area Median Income would earn $190,600 annually, while a 4-person household earning 200% of the Area Median Income would earn $238,200. These incomes, which represent the maximum "workforce" income pursuant to the County's Inclusionary Housing Ordinance, fall significantly below the income required to afford the County's median-priced home. Due to this substantial affordability gap, the analysis indicates that the "workforce" income level should not be revised with respect to ownership housing.

Figure 15: Annual Income Needed to Afford Median Home Value versus 200% of 2024 Area Median Income (2-Person and 4-Person Household)



Methodology

- First, data from Zillow was collected to determine the average median home prices for each of the County's Housing Market Areas, as well as the County-wide median home price. Separate data was collected for single-family homes versus condominiums and co-ops. A third set of data was collected for the median home value across all home types and sizes.
- Next, the analysis compared the rate at which the Area Median Income has grown between 2019 and 2024 with the growth rate of the County's median home price during this same period.

  Finally, the analysis calculated the annual housing costs required for the County's median-priced home, using information from Bankrate to estimate mortgage payments and insurance, while also accounting for HOA fees, property taxes, and maintenance. These annual housing costs were then compared to the 2024 State Income Limits for 2-person and 4-person households earning 200% of the Area Median Income.

5 DISCLAIMER

- Information presented in this document is based on analysis conducted on our knowledge of the County and through the use of third-party resources including CoStar, State of California Housing and Community Development (HCD), U.S. Census Bureau American Community Survey, and the County of Santa Barbara's 6th Cycle Housing Element.

- American Community Survey Data (United States Census Bureau). "Occupation by Sex for the Full-Time, Year-Round Civilian Employed Population 16 Years and Older (2018)." Accessed June 2024. https://data.census.gov/table/ACSST1Y2018.S2402?t=Occupation&g=050XX00US06083
- American Community Survey Data (United States Census Bureau) "Occupation by Sex for the Full-Time, Year-Round Civilian Employed Population 16 Years and Older (2022)." Accessed June 2024. https://data.census.gov/table/ACSST1Y2022.S2402?t=Occupation&g=050XX00US06083
- American Community Survey Data (United States Census Bureau) "Occupation by Median Earnings in the Past 12 Months "in 2028 Inflation-Adjusted Dollars) for the Full-Time, Year-Round Civilian Employed Population 16 Years and Over (2018)." Accessed June 2024. https://data.census.gov/table/ACSDT1Y2018.B24021?t=Occupation&g=050XX00US06083
- American Community Survey Data (United States Census Bureau) "Occupation by Median Earnings in the Past 12 Months "in 2022 Inflation-Adjusted Dollars) for the Full-Time, Year-Round Civilian Employed Population 16 Years and Over (2022)." Accessed June 2024. https://data.census.gov/table/ACSDT1Y2022.B24021?t=Occupation&g=050XX00US06083
- Bankrate, Current Mortgage Rates. https://www.bankrate.com/mortgages/mortgage-rates/#mortgage-news
- Bankrate, "Homeowners Insurance Cost by State" https://www.bankrate.com/insurance/homeowners-insurance/homeowners-insurance-cost/#cost-by-state
- Bankrate Mortgage Calculator, https://www.bankrate.com/mortgages/mortgage-calculator/
- Berkshire Hathaway HomeServices California, "What are HOA Fees in California". April 14, 2023. https://blog.bhhscalifornia.com/what-are-hoa-fees-in-california/
- California Department of Housing & Community Development State Income Limits, 2018. https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/inc2k18.pdf
- California Department of Housing & Community Development State Income Limits, 2022. https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf
- California Department of Housing and Community Development. Overpayment and Overcrowding. Accessed June 28, 2024. https://www.hcd.ca.gov/planning-and-community-development/housing-elements/building-blocks/overpayment-payment-and-overcrowding#:~:text=Current%20standards%20measure%20housing%20cost,their%20gross%20income%20for%20housing.
- County of Santa Barbara, 6th Cycle Housing Element Update. https://www.countyofsb.org/3177/Housing-Element-Update

- CoStar Analytics, Accessed June 2024. https://www.costargroup.com/
- Utility Allowances (2024) - Housing Authority of the County of Santa Barbara. https://hasbarco.org/housing/utility_allowances.php#outer-35
- Santa Barbara County Association of Governments. "Understanding Regional Travel Patterns." Published January 2024, Accessed July 2024. https://www.sbcag.org/wp-content/uploads/2024/01/UnderstandingRegionalTravelPatterns.pdf
- Zillow Housing Data, Accessed June 2024. https://www.zillow.com/research/data/

Appendix B: 2018 and 2022 Employment and Median Income by Occupation – Data Overview (2-Person Household Income Limits) – Santa Barbara County

Occupation	2018			2022			% Change	
	Number of Employees	Median Income	Income Level	Number of Employees	Median Income	Income Level	# of Jobs	Median Income
Management occupations	17,056	$79,622	Above Moderate	18,599	$101,269	Above Moderate	9.05%	27.19%
Business and financial operations occupations	6,137	$70,400	Moderate	7,240	$83,787	Low	17.97%	19.02%
Computer and mathematical occupations	5,217	$86,566	Above Moderate	6,248	$106,546	Above Moderate	19.76%	23.08%
Architecture and engineering occupations	3,357	$78,398	Above Moderate	5,251	$105,192	Above Moderate	56.42%	34.18%
Life, physical, and social science occupations	2,248	$61,163	Low	1,984	$86,424	Low	-11.74%	41.30%
Community and social service occupations	2,591	$40,052	Very Low	2,946	$63,745	Low	13.70%	59.16%
Legal occupations	1,352	$153,333	Above Moderate	2,523	$177,279	Above Moderate	86.61%	15.62%
Educational instruction, and library occupations	6,515	$62,884	Low	6,341	$70,009	Low	-2.67%	11.33%
Arts, design, entertainment, sports, and media occupations	1,502	$61,609	Low	3,074	$65,507	Low	104.66%	6.33%
Health diagnosing and treating practitioners and other technical occupations	4,162	$134,828	Above Moderate	3,517	$117,741	Above Moderate	-15.50%	-12.67%
Health technologists and technicians	2,192	$40,352	Low	1,514	$53,407	Very Low	-30.93%	32.35%
Healthcare support occupations	4,203	$32,007	Very Low	3,797	$39,547	Very Low	-9.66%	23.56%
Firefighting and prevention, and other protective service workers including supervisors	1,289	$44,960	Low	1,650	$55,898	Low	28.01%	24.33%
Law enforcement workers including supervisors	1,547	$83,963	Above Moderate	1,527	$133,328	Above Moderate	-1.29%	58.79%
Food preparation and serving related occupations	4,561	$23,264	Extremely Low	5,674	$35,842	Very Low	24.40%	54.07%
Building and grounds cleaning and maintenance occupations	6,709	$26,786	Very Low	7,309	$33,885	Very Low	8.94%	26.50%
Personal care and service occupations	3,127	$27,463	Very Low	2,441	$34,499	Very Low	-21.94%	25.62%
Sales and related occupations	8,726	$44,893	Low	10,471	$48,783	Very Low	20.00%	8.67%
Office and administrative support occupations	12,156	$45,510	Low	12,714	$55,063	Very Low	4.59%	20.99%
Farming, fishing, and forestry occupations	12,064	$25,019	Very Low	5,905	$32,134	Extremely Low	-51.05%	28.44%
Construction and extraction occupations	8,758	$40,016	Very Low	6,469	$50,066	Very Low	-26.14%	25.11%
Installation, maintenance, and repair occupations	2,724	$55,743	Low	3,872	$55,616	Very Low	42.14%	-0.23%
Production occupations	5,680	$34,932	Very Low	5,460	$37,462	Very Low	-3.87%	7.24%
Transportation occupations	3,783	$44,843	Low	3,583	$36,403	Very Low	-5.29%	-18.82%
Material moving occupations	4,769	$30,151	Very Low	3,577	$35,743	Very Low	-24.99%	18.55%
Total Jobs	**132,425**			**133,686**			**0.95%**	
Extremely Low Income	*4,561*	*3%*		*5,905*	*4%*		*1,344*	*29.47%*
Very Low Income	*47,901*	*36%*		*66,881*	*50%*		*18,980*	*39.62%*
Low Income	*41,135*	*31%*		*23,235*	*17%*		*-17,900*	*-43.52%*
Moderate Income	*6,137*	*5%*		*0*	*0%*		*-6,137*	*-100.00%*
Above Moderate Income	*32,691*	*25%*		*37,665*	*28%*		*4,974*	*15.22%*

Sources: *California Department of Housing and Community Development State Income Limits, 2018 and 2022; American Community Survey 1-Year Estimates, Total Number of Full-Time, Year-Round Employees and Median Income by Occupation, 2018 and 2022. (https://data.census.gov/table/ACSST1Y2018.S2402?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSST1Y2022.S2402?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2018.B24021?t=Occupation&g=050XX00US06083; https://data.census.gov/table/ACSDT1Y2022.B24021?t=Occupation&g=050XX00US06083*

COUNTY of SANTA BARBARA

one COUNTY one FUTURE

Analysis of Existing County Programs and Model Programs in Similar Communities

Task 3 Memorandum

Harris & Associates

Table of Contents

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Harris & Associates, Inc. ("Harris") conducted an analysis of the efficacy of existing County programs as well as identified model programs in similar communities. This effort involved the following:

- A comprehensive evaluation of:

  Santa Barbara County's housing programs, policies, and regulatory frameworks as presented on the County's website. Recommendations for improvements include providing additional information in a clearer manner in terms of presentation and organization. For example, creating sub-pages for specific details, and the development of a dedicated Workforce Housing landing page, linking to the "For Developers" and "For Renters" pages.

  Assessment of the impact of past housing projects, finding that the County has made significant efforts to address housing needs through effective initiatives. However, with the ongoing rise in housing demand, particularly for Affordable and Workforce Housing, Harris emphasized the need for the County to expand upon these efforts.

  Workforce Housing is defined as area median income levels for rental housing which include Very Low workforce (30% - 50% Area Median Income), Low workforce (51% - 80% Area Median Income), and Moderate Income workforce (81% - 120%) and ownership housing which includes "missing middle"/Above Moderate Income workforce (121% - 200%). A detailed discussion can be found in the Task 2 memorandum, Affordability Gap.

- Review of successful model housing programs in Napa, Sonoma, Marin, San Luis Obispo, and San Diego counties. These programs often identify local, state, and federal policies that could potentially mitigate challenges in Santa Barbara County's housing markets, such as flexible design standards, infrastructure financing mechanisms, and public-private partnerships. **Section 6 of this memo, Policy/Program Recommendations**, presents policy and program recommendations, suggesting land use incentives for employers, employer-assisted housing, support for innovative construction techniques, expanded inclusionary zoning requirements, and improved access to information and resources.

The Executive Summary table that follows identifies the recommendations provided throughout the document.

Table 1. Executive Summary Recommendations

Topic	Analysis	Recommendations/Findings
Existing Housing Programs and Policies	County completed a review of 5th Cycle programs and policies in 6th Cycle Housing Element (6th Cycle programs are too new to analyze).	• The County should **expedite the implementation of housing programs identified in the 6th Cycle Housing Element Update** as these programs include revisions made to 5th Cycle programs and new initiatives to help further the development of Affordable Housing.
Impact of Past Housing Programs	In 5th Cycle, County exceeded Regional Housing Needs Assessment in all income categories except Very Low-Income, indicating that past housing programs have been successful overall or that the state's calculation was not accurate given that Very Low Income is part of the workforce too, and many fall into homelessness.	• **Continue efforts to increase Workforce Housing and Affordable Housing for Very-Low households to help ensure meeting 6th Cycle Regional Housing Needs Assessment objectives.** This can be achieved through expediting the implementation of housing element programs including: ○ Program 5: Tools for Incentives for High-Quality Affordable Housing ○ Program 16: Reduction of Governmental Constraints ○ Program 24: Rental Housing Incentive Program
Availability and Ease of Access to Information for Developers	County provides relevant information on its website, but location of key information is challenging to navigate quickly. Subpages can be created for developers to help with accessibility.	• **Revise the "For Developers"** landing page to provide additional sub-links for information on 6th Cycle Housing Element Update 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. • **Create a subpage for "Workforce Housing"** that would provide information on Workforce Housing programs implemented by the County, Employer resources for how they can work with the County to create housing opportunities for employees, and housing projects

Topic	Analysis	Recommendations/Findings
		completed or underway that offer or will offer a preference for County employees.
Analysis of Model Programs In Similar Communities	Similar jurisdictions such as Napa, Sonoma, San Luis Obispo, Marin, and San Diego counties have programs, policies and completed Workforce Housing projects. The City of Irvine, with similar housing prices, has successfully developed a Moderate-Income ownership townhome project over the past few years.	Replicable programs/projects include: • **San Luis Ranch, San Luis Obispo County** – include a "first preference" for County employees (including County staff, teachers, first responders, technology employees, hospitality and tourism workers, and farmworkers). • **Oak Hill Apartments, San Rafael, Marin County** – create 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. The Housing Authority of the City of Santa Barbara may also serve as an informational resource on the matter of joint powers authority given their membership with CalTRUST, a joint powers authority created by the League of California Cities and the California State Association of Counties to give California public agencies a vehicle for pooling and investing local agency funds.
Policies & Incentivizing Workforce Housing Development in Santa Barbara County	Challenges to Workforce Housing development were identified and analyzed including: • High land costs. • Limited infrastructure and transportation • Strict zoning regulations. • Despite housing being more affordable than market rate, lower average wages in agricultural jobs, and not enough housing	**Local policies recommended to help incentivize the development of Workforce Housing include:** • Expedite Housing Element Programs Implementation. For Santa Maria Valley and Lompoc Valley Housing Market Areas, Workforce (as defined in the County's Inclusionary Housing Ordinance) = Market Rate Housing. Streamlining development and removing barriers in these Housing Market Areas will encourage Workforce Housing to be built. • Update Inclusionary Study and Revise Inclusionary Housing Ordinance. • Encourage the use of Public-Private Partnerships (PPPs) – Private Equity. • Additional Zoning Amendments on additional properties beyond the Housing Element sites to allow for By Right Development.

Topic	Analysis	Recommendations/Findings
	supply to meet the demand. • Economic constraints such as limited availability of higher paying jobs, and lack of diverse industries in some Housing Market Areas resulting in economic vulnerability, and high housing costs. Policies to address these challenges were identified on a local, state, and federal level.	• Provide Incentives or Offer County Land Resources for Employers to Build Employee Housing. • Explore the Creation of Community Land Trusts (CLTs). **State policies currently in place or being considered that help incentivize the development of Workforce Housing include:** • Senate Bill 330 – "Housing Crisis Act of 2019" aims to reduce approval timing for housing developments by limiting changes to standards, requirements, or fees after a completed application. • Density Bonus Law & Assembly Bill 2345 – Promotes mixed-income developments, especially useful in high-demand areas. • Senate Bill 35 & Senate Bill 4 – Streamlining development processes. • Senate Bill 937 – currently under review in the state Senate as of June 2024 but if passed, would defer impact fees until a project is complete, instead of at the beginning of the project. **Federal policies currently in place that help incentivize the development of Workforce Housing include:** • Fair Housing Act - Promotes equitable distribution of affordable housing across different regions, especially beneficial in historically exclusive areas. • Low-Income Housing Tax Credit (LIHTC) - Provides tax incentives for affordable housing development. It can be particularly effective in areas with higher construction costs or higher needs for private investment. • Low-Income Housing Tax Credit properties developed in recent years in the County include West Cox Cottages (City of Santa Maria), The Gardens on Hope (City of Santa Barbara), Woodstone Apartments (City of Lompoc), and the Village at Los Carneros (City of Goleta).

Topic	Analysis	Recommendations/Findings
Program/Policy Recommendations	Policy and program recommendations based on comprehensive analysis of above-mentioned factors to support efforts to increase Workforce Housing were identified.	• Expedite Housing Element Programs Implementation. • Update Inclusionary Study and Revise Inclusionary Housing Ordinance. • Encourage the use of Public-Private Partnerships (PPPs) – Private Equity. • Additional Zoning Amendments 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.

1. ANALYSIS OF EXISTING HOUSING PROGRAMS, POLICIES, AND PROCEDURES IN SANTA BARBARA COUNTY

1.1 Housing Element

The Housing Element Update is a critical component of Santa Barbara County's Comprehensive Plan. It outlines goals, policies, and programs to meet housing needs through each Regional Housing Needs Allocation cycle. The Regional Housing Needs Allocation is a state-mandated process that assigns each California city or county a specific number of housing units across various income levels that they must plan for over a set period to address housing demand and promote equitable development. This plan focuses on ensuring the provision of Affordable Housing, promoting fair housing practices, and supporting sustainable development.

1.1.1 5th Cycle (2014 - 2022) Evaluation in Certified 6th Cycle Housing Element Update

In the realm of housing development, the utilization of robust metrics and comprehensive data analysis is crucial. These tools provide an objective foundation for assessing progress, identifying gaps, and informing strategic adjustments. While the County of Santa Barbara has not only exceeded a majority of the 5th Cycle Regional Housing Needs Allocation objectives but is leading these efforts in comparison to neighboring jurisdictions, there is still more work to be done.

Details of the County's performance in the 5th Cycle and comparison to neighboring jurisdictions are detailed in Table 2. 5th Cycle Comparison Across Jurisdictions, found in Section 2 of this document. The County's efforts will be continued through a proactive approach to revising and enhancing housing programs. With the 5th Cycle having recently ended, the County has revised several key 5th Cycle programs to further accelerate the development of Affordable Housing during the 6th cycle.

Several previous programs have been replaced or combined with new efforts for the 6th Cycle. Regional planning has shifted to a focus on affordable housing site development, while community plan rezones are now part of updated rezoning efforts. Incentives for affordable and quality housing have been integrated with other incentive programs. The minimum density residential zone has been merged with other initiatives to ensure adequate sites for the Regional Housing Needs Allocation. Additionally, measures to prevent the conversion of affordable housing to market rate have been updated to address projects at risk during the upcoming planning period.

1.1.2 Existing Programs for 6th Cycle (2023-2031) Housing Element Update

Santa Barbara County's 6th Cycle Housing Element introduced several programs aimed at increasing the development of Affordable Housing and facilitating the housing development process for developers. Below is an overview of key programs included in this housing element:

- **Program 4: Inclusionary Housing Ordinance (IHO)** - Amend the Inclusionary Housing Ordinance to replace the residential second unit provision to include Accessory Dwelling Units, increase the length of time the unit retains the sales price restriction from 45 to 90 years, consider applying the Inclusionary Housing Ordinance to rental housing developments/ multifamily rental projects beyond State incentives, and make any other changes required to comply with state law. Amending the IHO to expand applicability, extend affordability restrictions, and comply with state law will result in more affordable units being developed and retained over the long term, particularly in rental housing.
- **Program 5: Tools and Incentives for High-Quality Affordable Housing** - Provide discretionary reductions of development impact fees for projects with public benefits; Partner with developers and provide gap financing for Affordable Housing projects; Assess options to reduce or defer development impact mitigation fees for housing development projects. Reducing or deferring development fees and providing financial support to developers will lower barriers to building affordable housing, making projects more viable.
- **Program 6: Housing for Farmworkers and Other Employees** - Continue supporting the development of workforce housing, including meeting with housing developers and large employers to explore opportunities for affordable housing for the workforce, especially for farm workers, and will regularly assess and, if necessary, revise permit procedures to streamline the approval process for farmworker and employee housing. Engaging with developers and employers will help identify housing needs and create partnerships that lead to the construction of affordable housing for farmworkers and local employees.
- **Program 10: Accessory Dwelling Units (ADUs)** - Amend the County's Accessory Dwelling Unit and Junior Accessory Dwelling Unit ordinances to comply with recent changes to state Accessory Dwelling Unit law, including but not limited to Assembly Bill (AB) 2221 (2022) and Senate Bill (SB) 897 (2022); Update the Accessory Dwelling Unit webpage as needed to ensure information addresses questions raised by applicants; Develop pre-approved plans for Accessory Dwelling Units. Updating ADU ordinances and providing pre-approved plans will streamline the process for homeowners to add ADUs, increasing the supply of affordable housing options.
- **Program 13: Density Bonus Provisions** - Amend zoning ordinances to reflect changes in State Density Bonus Law; Promote use of density bonus provisions during annual developer outreach. Evaluate the appropriateness of a County density bonus program for Moderate-Income housing. Amending zoning ordinances to align with state density bonus laws and promoting these provisions will encourage higher-density developments, increasing the supply of affordable housing units.

- **Program 16: Reduction of Governmental Constraints** - Modify zoning standards (setbacks, height limits, parking requirements) for new Affordable Housing; Amend zoning ordinances to ensure that findings for approval of housing development projects requiring a discretionary permit (e.g., Conditional Use Permits and Variance Submittals) are objective and consistent with state law. Modifying zoning standards and ensuring objective findings for housing project approvals will reduce regulatory barriers, facilitating the development of affordable housing.
- **Program 18: Preservation of Affordable Housing at Risk of Conversion to Market Rate and Mobile Home Parks** - Monitor at-risk rental housing projects, pursue funding to extend affordability covenants, and conduct outreach to acquire projects aging out of low-income use. Monitoring at-risk properties and securing funding to extend affordability will help preserve existing affordable housing stock.
- **Program 19: Short-Term Rentals (STR)** - Require annual registration, place an annual cap on the number of unhosted nights per year, require hosts to collect and remit hotel taxes, and heavily prohibit new permits. Limiting STRs and imposing regulations will reduce the impact of STRs on the housing market, ensuring more units remain available for long-term affordable housing.
- **Program 21: Local Preference** - Establish a local preference for Affordable and Workforce-Income housing units providing priority for people who live or work within the County region to rent or purchase affordable and Above Moderate-Income (120-200% of the Area Median Income) housing units subsidized by the County or provided through the Inclusionary Housing Ordinance. Establishing a local preference for affordable and workforce housing units will prioritize housing for local residents and workers, improving access to affordable housing for those with ties to the community.
- **Program 24: Rental Housing Incentive Program** - Develop a program to incentivize rental housing development, considering zoning ordinance amendments for higher densities with smaller unit sizes. Incentivizing the development of rental housing through zoning amendments will encourage the construction of higher-density, smaller units, increasing the availability of affordable rental housing.

The 6th Cycle Housing Element was recently implemented, which means it is still in the early stages of execution and too soon to determine the overall effectiveness and impact of these programs. Ongoing evaluation and adaptation will be key to ensuring these programs meet their intended goals and effectively address the housing needs of Santa Barbara County.

Recommendations

- **Program 4: Inclusionary Housing Ordinance (IHO)** - Complete a comprehensive Inclusionary Housing Study (leveraging County funding and County or Consultant staffing resources) by December 2025 and revise the Inclusionary Housing Ordinance based on the findings, including (if financial feasibility can be demonstrated) rental housing projects as well as ownership development. This will allow 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** - Amend zoning on additional sites for workforce and below market rate housing to increase densities, etc. by December 2025.
- **Program 6: Housing for Farmworkers and other Employees** - Meet with developers, property owners, employers, and labor organizations annually (first meeting by July 2025) to assess the need for and implementation of neighborhood revitalization programs like Habitat for Humanity or CommUnify in unincorporated County communities.
- **Program 10: Accessory Dwelling Units (ADUs)** - Assess feasibility of developing an ADU forgivable loan program similar to Napa County's forgivable loan program for accessory dwelling unit 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** - By August 2025, update in alignment with AB 1287 and 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** - Revisit existing Objective Design Standards to ensure clarity and objectivity and apply to 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** - Initiate steps to engage private equity to encourage investment in at-risk rental projects (see Section 6.4) by February 2025. Steps include creating a Public-Private Partnership Task Force, developing a Public-Private Partnership Framework, performing targeted outreach to establish relationships, and attending conferences and events.

- **Program 19: Short-Term Rentals (STR)** - Require annual registration, place an annual cap on the number of unhosted nights per year, require hosts to collect and remit hotel taxes, and heavily prohibit new permits. Draft amended ordinances by February 2026. The County can utilize regulatory fees collected on short-term rentals to implement the amended ordinance and costs to carry out enforcement of the updated ordinance.
- **Program 21: Local Preference** – Initiate study by December 2024 with completion by June 2025. If study supports local preference, initiate implementation actions by September 2025.
- **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.

1.2 Affordable Housing Programs

Existing Conditions

Santa Barbara County offers several Affordable Housing programs and resources to assist residents with housing needs:

- Housing Trust Fund (HTF): This non-profit organization funds Affordable Housing production and homebuyer assistance. Programs include:
    - Revolving Loan Fund: Offers below-market interest rate loans to affordable rental and homeownership project developers.
    - Workforce Homebuyer Program: Provides deferred or low-cost, interest-only loans to help Low-to-Middle-Income working families purchase homes.
    - Housing Innovations Program: Focuses on researching and demonstrating innovative, cost-reducing construction technologies like 3D printed homes and modular construction.
    - Since 2004, the Housing Trust Fund has helped 97 first-time homebuyers purchase their first home and has provided 34 community groups and sponsors with technical assistance for their affordable housing projects.
- County Affordable Housing Programs: The County's official website lists several resources, including:
    - Rental Assistance Programs: Links to organizations that provide financial assistance for Low-Income renters including Mercy Housing California, The Housing Authority of the City of Santa Barbara, People's Self Help Housing Corporation, The Housing Authority of the County of Santa Barbara, and Santa Barbara Community Housing Corporation.

    - Down Payment and Loan Assistance: Links to organizations that help first-time homebuyers with down payments and mortgage loans including California Housing Finance Agency and Federal Housing Administration.
- Tenant/Landlord Assistance: Links to resources that offer support for resolving disputes between tenants and landlords including the Rental Housing Mediation Task Force, Senior Outreach – Santa Barbara, The County Law Library – Santa Barbara, Low Income Legal Assistance – Lompoc, The County Law Library – Santa Maria, Low Income Legal Assistance – Santa Barbara, Low Income Legal Assistance – Santa Maria, US Department of Housing & Urban Development Fair Housing Hotline, and Senior Outreach - Lompoc. The 2020 Santa Barbara County Analysis of Impediments to Fair Housing Choice identified a need for increased fair housing education for rental residents. The County is addressing this need through Program 17: Tenant Protection and Fair Housing Services in the 6th Cycle Housing Element Update as well as efforts identified in the Analysis of Impediments that include ensuring there are training opportunities for rental residents to clearly inform this population of their rights and responsibilities.

Recommendations

- The County should **explore the feasibility of creating a Community Land Trust**. By leveraging Community Land Trusts and fostering public-private partnerships, Santa Barbara County can create sustainable Affordable Housing solutions, ensuring long-term benefits for lower-income residents and stabilizing neighborhoods. Large development projects are good candidates for a Community Land Trust. Sample steps to establishing a Community Land Trust can be found in **Figure 8. Community Land Trust Establishment Process**. An initial step the County should take is reaching out to an established Community Land Trust, like Irvine Community Land Trust, to learn more about the process they used and the successes and hurdles that have been encountered since establishing their land trust.

1.3 Zoning

Existing Conditions

- The County began a Zoning Ordinance Amendment Project in 2022, with anticipated completion in 2026, developing a series of Zoning Ordinance Amendments to make the Zoning Ordinance more effective, efficient, and clear. Amendments specific to housing under this program include:
    - Expanding allowances for residential uses in commercial zones
    - Revising development standards in the Design Residential (DR) and Planned Residential Development (PRD) Zones to incentivize Very-Low- and Low-Income housing. Expanding the types of projects that can be processed ministerially.

  - Exempting certain projects that do not otherwise require or benefit from permit review.
  - Simplifying the permit review process for certain projects without compromising the outcome.
- Additionally, the County recently completed zoning amendments to further efforts of the 6th Cycle Housing Element. The County rezoned 10 sites in the North County and 18 sites on the South Coast that could accommodate Affordable Housing units for Low, Moderate, and Above Moderate-Income households. The zoning increased site density in some cases up to 40 units/acre.

Recommendations

- Additional Zoning Amendments on additional properties beyond the Housing Element sites (including opportunity sites identified in the County Housing Opportunity Sites memorandum) to allow for By Right Development and increased density. Key aspects include modifying zoning codes to allow for higher density and a mix of housing types by-right; establishing Objective Design Standards that developers must meet, ensuring new developments are compatible with existing neighborhoods while expediting the approval process; eliminating the need for special permits or variances, reducing uncertainty, and financial risk for developers; streamlining the approval process to save time and reduce costs associated with lengthy discretionary reviews, making it more feasible for developers to include affordable units in their projects; and updating standards to encourage innovative design and construction methods, providing developers more flexibility to incorporate Workforce Housing into their projects.
- Increased density bonus for Workforce Housing beyond 100% density bonus the state provides. More specifically, offer a density bonus that exceeds the 100% maximum pursuant to Assembly Bill 1287, which introduces a new stackable density bonus aimed at promoting Middle-Income and additional Very Low-Income housing and allows developers to receive a density bonus for Moderate-Income rental units. Additional details, including the implementation of a sliding scale for bonuses and ways to incentivize developers to meet compliance and exceed affordability requirements, can be found in Section 6.7 in this memorandum.

1.4 Regulatory Policies

Existing Conditions

- Santa Barbara County's **Development Impact Fee Ordinance** ensures that new developments contribute to the cost of necessary public infrastructure and services, such as roads, parks, schools, and public safety facilities. Fees are assessed based on the type and size of development and are typically collected at building permit issuance. The funds are allocated to specific projects directly related to the impacts of the new development.

The ordinance includes provisions for fee reductions or exemptions for Affordable Housing projects and certain economic development initiatives. Regular reviews and public input ensure the fees remain fair and effective, promoting sustainable and equitable growth throughout the County. **Program 5: Tools for Incentives for High-Quality Affordable Housing** and **Program 16: Reduction of Governmental Constraints** from the 6th Cycle address mitigating developer fee constraints by reducing and/or deferring fees.

It should be noted that Senate Bill 937 mandates the payment of development impact fees imposed by a local government is delayed until the certificate of occupancy is issued. Senate Bill 937 also provides that a developer has 5 years from when their building permit is issued to start construction before losing their fee deferral and prohibits local governments from charging interest rates on any deferred fees.

- **Objective Design Standards** are typically applied in the County to Urban and Suburban Residential Zones, Mixed-Use and Commercial Zones, Affordable Housing Developments, and specific plan areas.
- The County's **Inclusionary Housing Ordinance** applies to ownership units only. During the 5th Cycle, 16 Workforce units were developed (Cavaletto Tree Farm Housing Development) as a result of the Inclusionary Housing Ordinance. Key requirements include:
  - 5 - 19 units require 1 Moderate Income unit;
  - 20 or more units require 15% inclusionary (Very Low - 2.5%; Low - 2.5%, Moderate – 5%, Workforce – 5%);
  - 100% rental projects and mixed-use projects with less than 10 units are exempt from inclusionary requirements;
  - Units must be deed restricted for 45 years restarting for up to 90 years upon resale of the unit;

    - Workforce may be satisfied with accessory dwelling units without sales price, deed, or occupancy restrictions; various incentives granted.

Recommendations

- Defer development fees to certificate of occupancy if Senate Bill 937 does not pass.
- Inclusionary requirements should include rental and mixed-use developments.
- Provide flexibility in meeting inclusionary requirements via allowance for land donations, development agreements to build separate projects when large inclusionary requirements exist; allow offsite affordable units in the same Housing Market Area and within the same development schedule as the market rate units.
- Apply Objective Design Standards to Workforce Housing development and in a manner that helps reduce risks and costs for developers, helping to encourage housing development. Pursuant to the findings in the Task 2 memorandum, Affordability Gap, workforce rental housing includes 30% to 120% Area Median Income while workforce ownership housing includes 120% to 200% of Area Median Income.

2. PERFORMANCE AND IMPACT OF PAST HOUSING PROGRAMS AND PROJECTS

Table 2 below provides a comparison of the County's 5th Cycle performance against other surrounding jurisdictions. The County exceeded its Regional Housing Needs Allocation objectives in nearly every income category, including affordable housing, and outperformed surrounding jurisdictions in units permitted or completed. However, like other jurisdictions, the County did not meet the Very Low Income unit targets for the 5th Cycle, though it performed better than most in this category. The performance summary identifies that the County has been proactive in utilizing resources to help develop affordable housing, capable of serving all workforce area median income levels however there is still progress to be made, including increasing efforts for the Very Low Income workforce level.

Table 2. 5th Cycle Comparison Across Jurisdictions

Jursidiction	Very Low			Low			Mod			% of Affordable Met	Above Mod			Total		
	RHNA	Units Permitted/ Completed	% met	RHNA	Units Permitted/ Completed	% met	RHNA	Units Permitted/ Completed	% met		RHNA	Units Permitted/ Completed	% met	Total RHNA	Units Permitted/ Completed	% met
Santa Barbara County Unincorp.	159	68	43%	106	231	218%	112	417	372%	**191%**	284	1,187	418%	661	1,903	288%
Ventura County Unincorp.	246	118	48%	168	222	132%	189	170	90%	**85%**	412	323	78%	1,015	833	82%
San Luis Obispo County Unincorp.	336	59	18%	211	137	65%	237	202	85%	**51%**	563	2,110	375%	1,347	2,508	186%
City of Santa Barbara	962	121	13%	701	149	21%	820	16	2%	**12%**	1,617	1,769	109%	4,100	2,055	50%
Lompoc	126	21	17%	84	3	4%	95	42	44%	**16%**	221	115	52%	526	181	34%
Santa Maria	985	193	20%	656	2191	334%	730	784	107%	**134%**	1,731	1,153	67%	4,102	4,321	105%
Goleta	235	8	3%	157	107	68%	174	16	9%	**40%**	413	1,196	290%	979	1,327	136%

Sources: https://lab.data.ca.gov/dataset/rhna-progress-report/cff0bc49-dd85-43a1-b1d5-1cfa7cf1ae22; https://www.cityoflompoc.com/home/showpublisheddocument/39051/638372841321100000; https://www.cityofgoleta.org/home/showpublisheddocument/29869/638375666841470000; https://cosantabarbara.app.box.com/s/748jddz90gx3sxjmmhpqze1aiaz4j13t

2.1 Affordable and Workforce Housing Developments Completed During the 5th Cycle

Provided below is a report out of Affordable and Workforce Housing units developed for Low-Income, Workforce, and Farmworker housing during the 5th Cycle.

Isla Vista Apartments

<table>
<tr><td>
Source: People’s Self-Help Housing</td><td rowspan="6">Project Summary
People’s Self Help Housing is the owner/operator and County Housing & Community Development provided funding
Located in close proximity to the University of Santa Barbara
Consists of one-, two- and three-bedroom apartments</td></tr>
<tr><td>Project Type: Preservation and Rehabilitation</td></tr>
<tr><td>Affordable Units: 56</td></tr>
<tr><td>Affordability Level: Low-Income</td></tr>
<tr><td>Project Date: April 2021-Ongoing</td></tr>
<tr><td>County Contributed Funding: Low- and Moderate-Income Housing Asset Fund - $1.17M. A Low and Moderate Income Housing Asset Fund is a separate fund that holds funds from housing assets and transfers to a housing successor agency</td></tr>
</table>

Los Adobes de Maria III

<table>
<tr><td>
Source: People’s Self-Help Housing</td><td rowspan="6">Project Summary
People’s Self-Help Housing serves as the Managing General Partner in a Limited Partnership ownership structure
Public funding provided by The City of Santa Maria (Community Development Block Grant funding) and County Housing and Community Development
Housing reserved for families earning the majority of their income from agricultural employment
Property services provided across the street include site-based educational programming with after-school tutoring for grades K-8, support for those bound for college, and Workforce readiness programs for adults</td></tr>
<tr><td>Project Type: New Construction</td></tr>
<tr><td>Affordable Units: 33</td></tr>
<tr><td>Affordability Level: Low-Income</td></tr>
<tr><td>Project Date: November 2018</td></tr>
<tr><td>County Contributed Funding: HOME Program - $949,000</td></tr>
</table>

Sawyer Homes

<table>
<tr><td>

Source: Habitat for Humanity</td><td rowspan="6">Project Summary

3-home development in Carpinteria
Housing 14 people
Habitat for Humanity of Southern Santa Barbara County constructed the homes, did project management, marketed the homes, and selected families
The County provided funding via in-lieu fees collected
</td></tr>
<tr><td>Project Type: New Construction</td></tr>
<tr><td>Affordable Units: 3</td></tr>
<tr><td>Affordability Level: Low-Income</td></tr>
<tr><td>Project Date: January 2019</td></tr>
<tr><td>County Contributed Funding: Inclusionary Housing Trust Funds - $300,000</td></tr>
</table>

Recommendations

- It is recommended that the County continue requiring property owners to conduct **annual compliance monitoring** to ensure units are being occupied in the manner intended as a condition of all future Affordable Housing agreements with property owners.
- In alignment with current practices, all future affordable Property Owners would be responsible for submitting findings on a schedule as determined by the County. The County should also provide the option of managing the compliance monitoring at the cost of the property owner.
- When occupants of Affordable and Workforce Housing units are not truly representative of the intended income categories, it negatively impacts the supply of Workforce Housing.

3. AVAILABILITY AND EASE OF ACCESS TO INFORMATION FOR DEVELOPERS

After reviewing the County's website for information available to developers regarding affordable housing, Harris has identified a few suggestions for consideration.

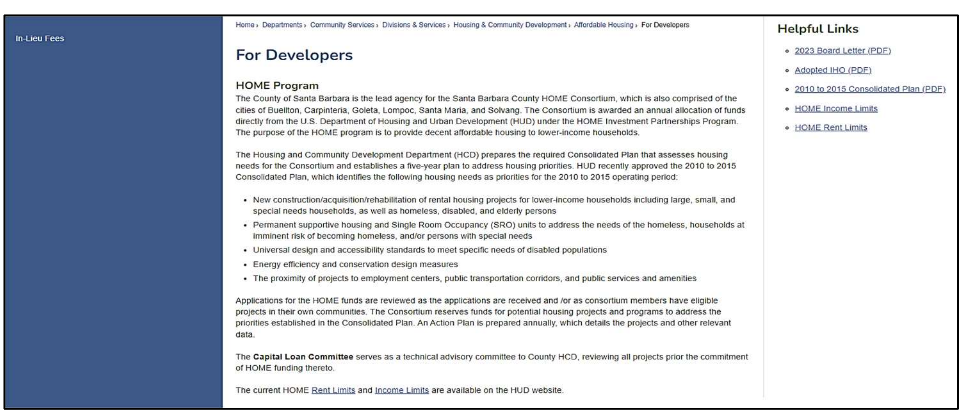
Enhancing the clarity and accessibility of eligibility criteria and application processes specific to affordable housing would streamline developers' engagement with affordable housing initiatives. Providing comprehensive resources on available opportunity sites, funding opportunities, and incentives would facilitate developers' efforts to finance and implement affordable housing projects effectively.

Additionally, while exploring information on Workforce Housing, Harris identified some suggestions for consideration. It would be beneficial to include detailed data on the local Workforce demographics including top industries and employment sectors, economic and workforce forecasts, income levels, and housing needs. Organizations providing reports may include CBRE, CoStar, Santa Barbara County Association of Governments, Santa Barbara Foundation, and the US Bureau of Labor Statistics. Moreover, offering guidance on zoning regulations, land use policies, and development incentives specific to Workforce Housing would assist developers in navigating the regulatory landscape and planning successful projects tailored to the needs of the local workforce.

3.1 Affordable Housing

Existing Conditions

The "Affordable Housing" page currently has links for Developers, Homebuyers, and Renters. As it stands the content presented on the "For Developers" page only references the HOME Program and in Lieu Fees.



In-Lieu Fees

Home › Departments › Community Services › Divisions & Services › Housing & Community Development › Affordable Housing › For Developers

For Developers

HOME Program

The County of Santa Barbara is the lead agency for the Santa Barbara County HOME Consortium, which is also comprised of the cities of Buellton, Carpinteria, Goleta, Lompoc, Santa Maria, and Solvang. The Consortium is awarded an annual allocation of funds directly from the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Program. The purpose of the HOME program is to provide decent affordable housing to lower-income households.

The Housing and Community Development Department (HCD) prepares the required Consolidated Plan that assesses housing needs for the Consortium and establishes a five-year plan to address housing priorities. HUD recently approved the 2010 to 2015 Consolidated Plan, which identifies the following housing needs as priorities for the 2010 to 2015 operating period:

- New construction/acquisition/rehabilitation of rental housing projects for lower-income households including large, small, and special needs households, as well as homeless, disabled, and elderly persons
- Permanent supportive housing and Single Room Occupancy (SRO) units to address the needs of the homeless, households at imminent risk of becoming homeless, and/or persons with special needs
- Universal design and accessibility standards to meet specific needs of disabled populations
- Energy efficiency and conservation design measures
- The proximity of projects to employment centers, public transportation corridors, and public services and amenities

Applications for the HOME funds are reviewed as the applications are received and /or as consortium members have eligible projects in their own communities. The Consortium reserves funds for potential housing projects and programs to address the priorities established in the Consolidated Plan. An Action Plan is prepared annually, which details the projects and other relevant data.

The **Capital Loan Committee** serves as a technical advisory committee to County HCD, reviewing all projects prior the commitment of HOME funding thereto.

The current HOME Rent Limits and Income Limits are available on the HUD website.

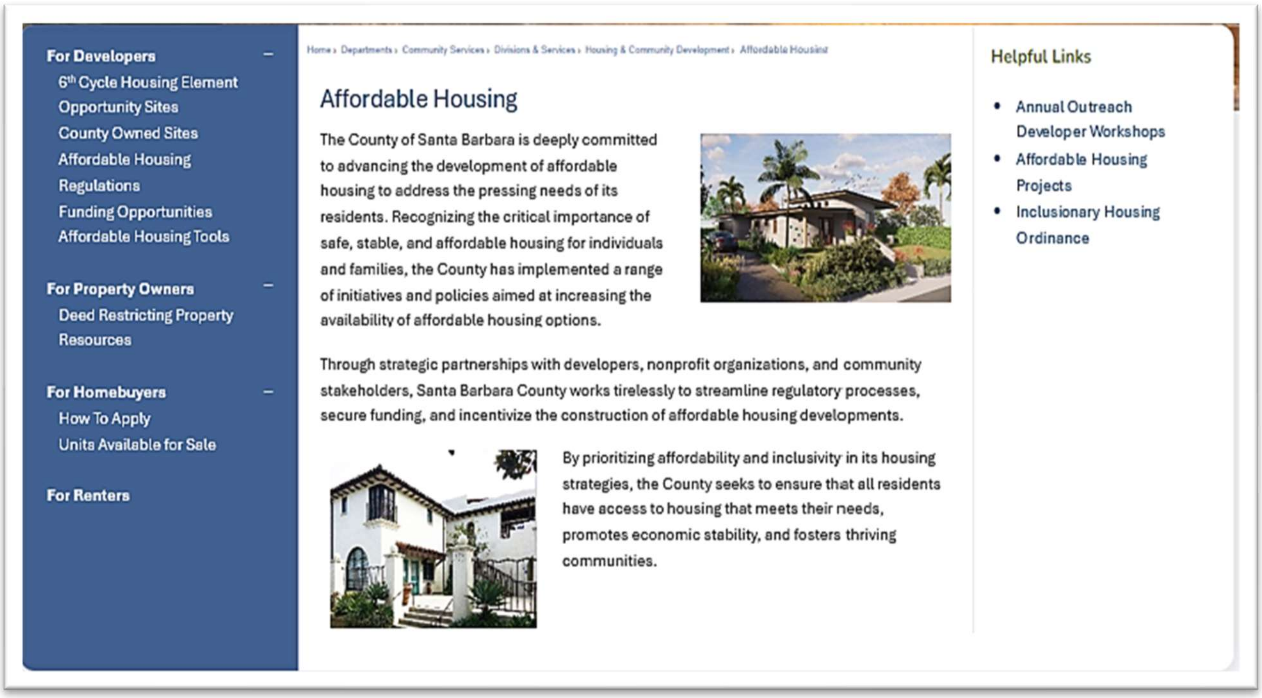
Helpful Links

- 2023 Board Letter (PDF)
- Adopted IHO (PDF)
- 2010 to 2015 Consolidated Plan (PDF)
- HOME Income Limits
- HOME Rent Limits

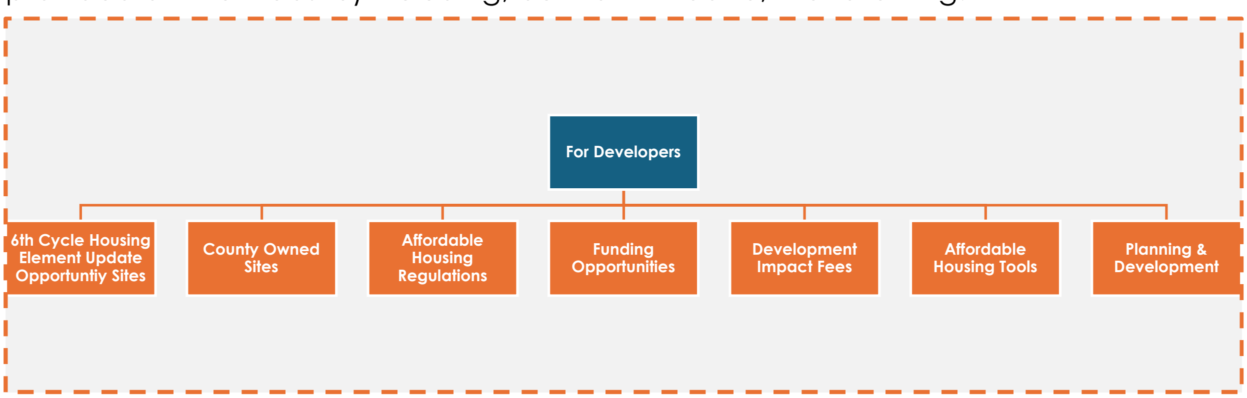
Recommendations

The County should consider implementing an introductory landing page (see Figure 1. for a rendering) offering a discussion on how the County is working to make the process of building affordable housing easier and more enticing for developers. The County could also advertise if/when the County holds annual informational sessions with developers and/or opportunities to connect with regional partners who help facilitate the development of affordable housing (ex. Peoples Self Help, Coastal Housing Partnership, etc.)

Figure 1. County website landing page rendering for Affordable Housing

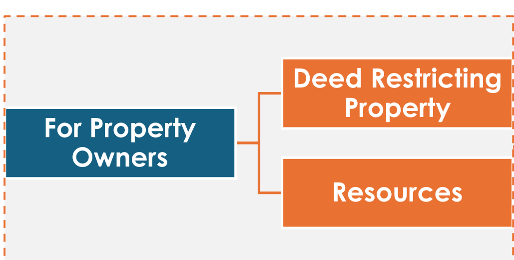


The "For Developers" page could provide links to other County department pages (Planning & Development) as well as additional information listed below (not currently provided on the website) including, but not limited to, the following:



- **6th Cycle Housing Element Update Opportunity Sites** - link to inventory of opportunity sites provided in the most current housing element.
- **County-owned Sites** - link to County-owned sites available for redevelopment and help advertise sites the County has prioritized for redevelopment (for example, using a LoopNet style snapshot of the site).
- **Affordable Housing Regulations** - link to regulations that can help provide easier opportunities for development (ex. Senate Bill 4 to help inform developers of the opportunity to develop by-right on faith-based and higher education-owned properties).
- **Funding Opportunities** – mention Notice of Funding Available opportunities provided by the County as well as any opportunities for funding provided by regional, statewide, and national associations like the California Department of Housing and Community Development and the US Department of Housing and Urban Development, and partners of the County, like Santa Barbara Foundation, who are working to further the development of affordable housing.
- **Development Impact Fees** - link to the current development impact fees, providing easier accessibility and better alignment with Cal. Gov. Code § 65940.1 which requires those fees be provided on a jurisdiction's website.
- **Affordable Housing Tools** - links to tools that developers can use to help in the process of developing affordable and Workforce Housing in the County including, but not limited to, Density Bonus Ordinance, Incentives, Permitting Processes, and Objective Design Standards specific to affordable housing. On January 24, 2023, the County adopted a streamlined ministerial permit review process and objective design/development standards for qualifying affordable housing and/or multiple-unit and mixed-use housing developments into the Land Use and Development Code (new Chapters 35.31 and 35.33).

The County could consider the addition of a "For Property Owners" sub-page that could include information on the following:



- **Deed Restricting Property** - links to information on:
  - incentives for deed-restricting property;
  - deed-restriction Are Median-Income level requirements;
  - regulatory information and actions required by property owners of deed-restricted properties; and
  - the process to deed-restrict property.

3.2 Workforce Housing

Existing Conditions

Recommendations

The County could add "Workforce Housing" content to the existing Affordable page on the Housing & Community Development webpage, titling it "Affordable & Workforce Housing."

The added content could include the following sub-links:

For Developers

- Link to Workforce Housing Programs implemented by the County.
- Provide a listing of developments Countywide that include affordable rentals, allowing for developers to see example projects.

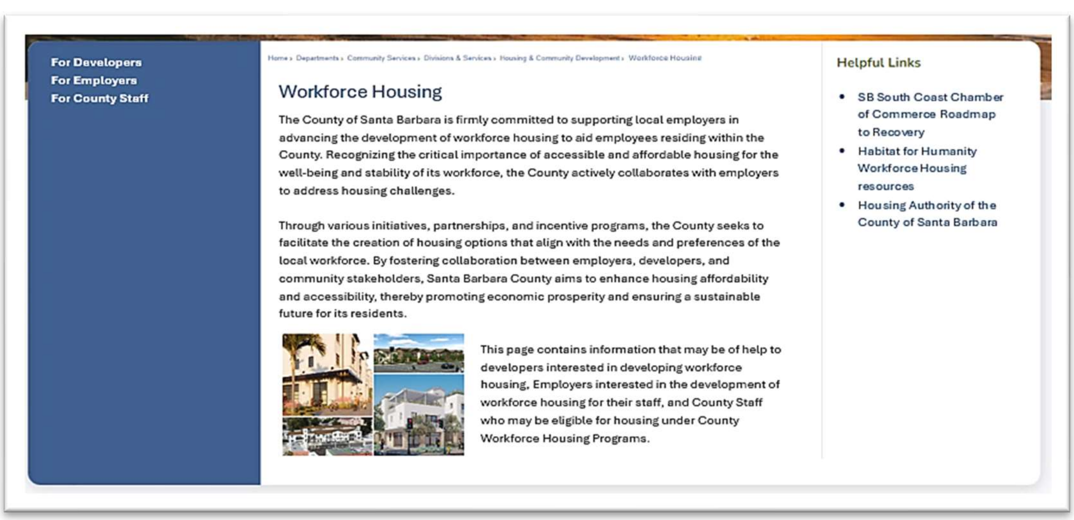
For Employers

- Provide information regarding how interested Employers in the County can work to create housing opportunities for their employees.
- Provide a listing of developments Countywide that include affordable rentals, allowing for employers to notify staff of opportunites.

For County Staff

- List projects completed or underway where the County has implemented a Workforce Housing program requirement that provides a set aside priority for County staff.

Figure 2. County website page rendering for Workforce Housing content



4. ANALYSIS OF MODEL PROGRAMS IN SIMILAR COMMUNITIES

The following examples of Workforce Housing programs demonstrate efforts in communities similar to Santa Barbara County. Profiles of example projects are provided on the following pages.

Table 3. Model Programs in Similar Communities

<table>
<tr><th>Jurisdictions</th><th>Similarities to Santa Barbara County</th><th>Workforce Housing Program</th></tr>
<tr><td>Napa County</td><td rowspan="2">Jurisdictional characteristics similar to Santa Barbara County include:

High Cost of Living - High real estate prices, making it difficult for Very Low-, Low-, and Moderate-Income households to afford housing.

Tourism-Driven Economies - Popular tourist destinations leading to seasonal and low-wage jobs, and increased demand for affordable housing for hospitality and service industry workers.

Agricultural and Viticultural Regions - Napa and Sonoma are renowned for their wine industries, similar to Santa Barbara. San Luis Obispo and parts of San Diego also have significant agricultural sectors, requiring affordable housing for farmworkers.

Employment Centers - Thriving economies with diverse employment opportunities, necessitating housing for workers across various income levels.

Geographic Constraints – Terrain, agricultural land, and zoning restrictions present constraints to the development of housing.</td><td>Proximity Housing Homebuyer's Assistance Program:
• Homebuyer's assistance loan for up to 16.5% of the home purchase.
• Loans are funded through the County's Affordable Housing Fund, which was established to promote affordable housing for residents with low to moderate incomes.
• At least one household member must work locally as defined by the County, and the household income cannot exceed 120% of the Area Median Income.</td></tr>
<tr><td>Sonoma County</td><td>Workforce Housing Program:
• Non-residential developers contribute to Affordable Housing initiatives (building Workforce Housing, paying a fee, or providing other forms of assistance like land dedication or employer-sponsored mortgage programs).
• Workforce Housing Combining Zone - promotes housing development near employment centers and transit hubs, allowing for higher density and streamlined permit processes for qualifying projects.
• The Workforce Housing Program requirements are derived from a nexus study that analyzed the average number and income level of employees for various types of land uses. The study estimated the need for affordable housing created by new development and the public subsidy that would be required to meet that need. The study recommended that affordable unit requirements and a workforce housing fee be established for non-residential development to cover 10 % of the demand created by the development or the cost to subsidize housing to meet that demand elsewhere. The program was designed to align with policies in the county's Housing Element and General Plan.</td></tr>
</table>

Jurisdictions	Similarities to Santa Barbara County	Workforce Housing Program
San Luis Obispo County		• Workforce Housing Ordinance encourages development through subdivisions and mixed-use development. • "Assist to Own" down payment assistance program made available to county employees through Golden State Finance Authority. • The City of San Luis Obispo has implemented a "Workers First" program for some developments at San Luis Ranch that prioritizes purchase by individuals working within San Luis Obispo city or county.
Marin County		• No dedicated Workforce Housing program, but the county has a Community Land Trust in West Marin, the largest region of Marin County. • Affordable Housing Program initiatives support Workforce Housing efforts. • Marin County Workforce Housing Finance Authority (MCWHFA) Joint Powers Authority established to help develop and manage affordable housing projects specifically for county and public-school employees.
San Diego County		• In 2022, the county explored establishing a Workforce Housing program to partner with private sector, use of innovative funding mechanisms, incentivizing development, and advocating for state support. • A centralized Workforce Housing program was not established but the county created a Community Land Trust; multi-pronged approach involving various affordable housing initiatives and resources; and in January 2024, Board of Supervisors agreed to allocate funding through the "Evergreen Fund" to create county employee Workforce Housing.

City of Irvine	While the City of Irvine does not share many similarities with the County of Santa Barbara, it has been included as part of the discussion given the **similarities of the median home prices and being able to serve as an example of a successful Community Land Trust**. Additionally, the city created over 14,000 affordable units during the 5th Cycle.	• The city does not have a Workforce Housing program but does further the development of affordable and Workforce Housing through the following affordable housing programs:
		  o Inclusionary Housing Program
		  o Affordable Housing Overlay Zone
		  o Community Land Trust
		  o Irvine Community Development Company (ICDC) Partnership
		  o Affordable Housing Fund (with funding allocated from various sources)
		  o HOME Investment Partnerships Program (HOME)
		  o Section 8 Housing Choice Voucher Program
		  o Density Bonus Program
		  o Affordable Housing Development Assistance

Fetters Apartments – Sonoma Valley, Sonoma County, California

Location: Fetters Hot Springs off of Dorene Way

Year Completed: 2017

Units by Area Median Income Level: < 60% Area Median Income.

Funding Sources: Sonoma County Community Development Commission, Low-Moderate Income Housing Asset, and HOME funds, Sonoma County Housing Authority, Low-Income Housing Tax Credits, Federal Home Loan Bank program funding, Private funding.

Project Summary

- 2.96 acres.
- $27.5 development cost
- 100% affordable
- Multi-family development
- 60 residential units
- Fetters is the first phase of a planned neighborhood hub that integrates housing, employment, healthy foods, open space, transit, education, and services
- While not a Workforce Housing development, this does help to address issues faced by Low-Income workers like increasing the stock of rental units and providing more affordable housing stock to address the issue of (5) Low-Income workers having to compete for every (1) affordable housing unit.
- Developer – MidPen Housing

Successes: 90% of applicants either lived or worked in Sonoma County.

Regulatory Requirements: Deed-restricted for 55 years per use of County Community Development Commission funding and Low-Income Housing Tax Credits.

Workforce Housing (WFH) Program: This project was planned with affordability program requirements and not Workforce Housing program requirements, still supporting the workforce families who fall below the assumed 120-160% Area Median Income.

San Luis Ranch – San Luis Obispo, San Luis Obispo County, California

Location: Between Madonna Road and Highway 101

Year Completed: Housing completed, amenities construction ongoing.

Units by Area Median Income Level: Up to 160% Area Median Income; Workforce 120-160%.

Funding Sources: Developer equity, Community Facilities District funding, Developer Impact Fees.

Project Summary

- 131 acres
- Mix of residential, commercial, and office uses while preserving substantial areas of open space and agriculture
- 580 residential units (282 SF + 298 MF).
  - 34 affordable units deed-restricted for Low/Very-Low Income
  - 14 workforce homes for Moderate-Income
- Specifically designed to offer a range of housing opportunities (single-family homes, townhomes, lofts, and condominiums) with a special focus on providing workforce homes available to the Central Coast's teachers, first responders, technology employees, and tourism workers
- Required annexation from the county to allow increased residential density allowing for greater affordability
- Developer – Coastal Community Builders

Successes: Provides housing with a focus on workforce and affordability.

Regulatory Requirements: Deed restriction (55 years); Development agreement provides local preference for San Luis Obispo County residents and workers.

Workforce Housing (WFH) Program: Affordable units offered In compliance with the city's "SLO Workers First" program. Priority for purchase will be individuals working in San Luis Obispo, within San Luis Obispo County, and then all other qualified buyers.

Oak Hill Apartments – San Rafael, Marin County, California

Location: Sir Francis Drake Boulevard between the Larkspur Ferry Terminal and San Quentin State Prison's west entrance.

Year Completed: Anticipated Certificate of Occupancy Winter 2025.

Units by Area Median Income Level: 115 units (30-60%); 135 units (60-120%).

Funding Sources: Marin County Affordable Housing Trust Fund loan, Permanent Local Housing Allocation, Excess Sites Local Government Matching Grants Program, Joint Powers Authority issued bonds.

Project Summary

- ~8 acres
- 100% Rental; 250 affordable units
- 115 units for lower-income families (30-60% Area Median Income) and 135 units for educator and county employee housing (60-120% Area Median Income)
  - 101 units for educators (75%).
  - 34 units for county employees (25%).
- Shared infrastructure, parking garage, and some amenity areas
- Creation of Marin County Workforce Housing Public Financing Authority, a Joint Powers Authority between the county and Marin County Office of Education. The Joint Powers Authority will contract with Education Housing Partners, Inc. to develop the project and issue bonds to help finance the project
- The Joint Powers Authority will be structured for replication in future similar housing projects
- Developer – Eden Housing and Education Housing Partners

Successes: The county plans to replicate the Joint Powers Authority for future similar housing projects; the creation of Workforce Housing.

Regulatory Requirements: Deed-restriction in perpetuity or the maximum allowed by other public funding; will help preserve affordability.

Workforce Housing (WFH) Program: The county does not have a Workforce Housing program however the project does address the county's efforts to develop housing for their Workforce Community and address Regional Housing Needs Assessment totals.

Napa Pipe/RiverSound Project – City of Napa, Napa County, California

Location: 1025 Kaiser Road (former Napa Pipe Plant)

Year Completed: Phased development, currently in phase 1 pre-construction.

Units by Area Median Income Level: 30–-120% for deed-restricted.

Funding Sources: Developer Equity, Community Facilities District funding, County Affordable Housing Fund.

Project Summary

- ~154 acres
- Mixed-use development
- 945 new homes
- 190 designated affordable housing units
  - 70 Very Low-Income
  - 70 Low-Income
  - 50 Moderate-Income
- Site annexed to the city from the county in exchange for the city agreeing to take on 80% of Napa County's state-required housing allocation in unincorporated areas for the 6th Cycle RHNA
- Project will include a substantial number of homes to be designed and priced to attract members of the Napa County workforce but will not be deed restricted
- Developer – Catellus Development Corp and Napa Redevelopment Partners

Successes: Development has moved quickly and without significant resistance, in part because much of the project was set years ago through a master plan. Deed-restricted units help preserve affordability.

Regulatory Requirements: Required deed-restriction (no less than 40 years) for the 190 designated affordable housing units.

Workforce Housing (WFH) Program: The city does not have a workforce program but does factor in preservation and development activities in their affordable housing programs.

City Heights Place – San Diego, San Diego County, California

Location: 4020 44th St., San Diego

Year Completed: 2024

Units by Area Median Income Level: 30-60% Area Median Income.

Funding Sources: County's Innovative Housing Trust Fund ($3M) Low-Income Housing Tax Credit, Price Philanthropies Foundation, County's Innovative Housing Trust Fund ($3M).

Project Summary

- 1.3 acres
- $32,755,992 Project Cost
- 60 units
- 100% Affordable
- 30-60% Area Median Income.
- New construction Affordable Housing community serving local City Heights families
- Features five stories of stunning, contemporary-design multi-room apartments, ample common areas, amenities, and onsite resident services
- Public transportation and everyday amenities like grocery stores and restaurants are just a short walk away
- Funded using Public-Private Partnership model
- Developer - Wakeland Housing and Development Corporation and Price Philanthropies

Successes: The development plans align with the county's Housing Blueprint (the county's guide and ongoing response to the regional housing crisis) and serves workforce families in the lower Area Median Income range.

Regulatory Requirements: Units deed-restricted for a 55-year term.

Workforce Housing (WFH) Program: The county does not have a specific WFH program but does aim to address Workforce Housing through its affordable housing initiatives, including the Innovative Housing Trust Fund, which helped to fund the project.

Sage Park – Irvine, Orange County, CA

Location: 221 Moccasin, Irvine

Year Completed: 2021

Units by AMI Level: 68 townhomes at 81-120% Area Median Income.

Funding Sources: City of Irvine land donation to Community Land Trust, Developer Equity, Banner Bank (financing through loans and mortgages for homebuyers).

Project Summary

- 2.58 acres
- Irvine Community Land Trust's first affordable home ownership community.
- 68 affordable townhomes
- 4 acres
- Moderate-Income (up to 120% Area Median Income), at the time of opening there was a $129,000 cap for a family of 4
- Residents must be first-time homebuyers and live or work in the city
- Details on the project cost were unavailable
- Developer – California Pacific Homes

Successes: The city's first Community Land Trust affordable home ownership for workforce families project, with the project succeeding in part through the use of land donation.

Regulatory Requirements: Affordable in perpetuity, residents must be first-time homebuyers and live or work in the city.

Workforce Housing (WFH) Program: The city does not have a specific Workforce Housing program but does aim to address Workforce Housing through its affordable housing initiatives and inclusionary housing ordinance.

5. POLICIES & INCENTIVIZING WORKFORCE HOUSING DEVELOPMENT IN SANTA BARBARA COUNTY

Santa Barbara County comprises various Housing Market Areas (HMAs), each with unique characteristics and challenges. The following compares how different policies might incentivize the production of Workforce Housing across these areas.

Figure 3. Housing Market Areas

Table 3. Policies to Incentivize Development of Workforce Housing

<table>
<tr><th>Housing Market Area</th><th>Challenges to WFH Development</th><th>Recommended Countywide</th><th>State</th><th>Federal</th></tr>
<tr><td>Santa Maria Valley</td><td>Although more affordable, lower average wages in agricultural jobs and increasing demand for housing.</td><td rowspan="4">Expedite Housing Element Programs to Streamline Development Workforce (as defined in the County's Inclusionary Housing Ordinance) = Market Rate for both rental and ownership in these Housing Market Areas. Streamlining development and removing barriers will allow for Workforce Housing to be built.

Amend Inclusionary Housing Ordinance Apply requirements rental projects to create more below market rate units. Amend Inclusionary Housing Ordinance

Public-Private Partnerships (PPPs) – Private Equity

By-Right Development

Incentives/ County Land Resources

Community Land Trusts (CLTs)

Density Bonuses that Exceed State Mandated

Improve Access to Information and Resources</td><td rowspan="4">Density Bonus Law & Assembly Bill 2345 – Promotes mixed-income developments, especially useful in high-demand areas.

Senate Bill 35 & Senate Bill 4 – Streamlining development processes.

Senate Bill 937 – currently under review in the state Senate as of June 2024 but if passed, would defer impact fees until certificate of occupancy instead of at the beginning of the project.</td><td rowspan="4">Fair Housing Act - Promotes equitable distribution of affordable housing across different regions, especially beneficial in historically exclusive areas.

Low-Income Housing Tax Credit (LIHTC) - Provides tax incentives for affordable housing development. It can be particularly effective in areas with higher construction costs or higher needs for private investment.</td></tr>
<tr><td>Lompoc Valley</td><td>Economic constraints, limited transportation, and a relatively limited job market.</td></tr>
<tr><td>South Coast</td><td>High land and property costs, limited available land for new development, and strict zoning regulations.</td></tr>
<tr><td>Santa Ynez Valley</td><td>Limited infrastructure and high land costs due to the desirability of the rural lifestyle.</td></tr>
</table>

6. PROGRAM/POLICY RECOMMENDATIONS

Recommendations for policy and programs that could positively affect development and the County's future housing stock, based on past performance in Santa Barbara County and programs in similar communities, are detailed in this section. **Figure 4. Program/Policy Recommendations** identifies recommended programs and/or policies with an in-depth discussion on implementation considerations for each in the pages that follow. Please note the color coding to reflect the following:

- Green - strategies and actions that would have the greatest impact to preserve/create units in the near term
- Yellow and Orange – will have a longer lead time (5-10 years) to produce results.

Figure 4. Program/Policy Recommendations

6.1 Expedite Housing Element Program Implementation

Santa Barbara County can create a more favorable environment for the development of Affordable and Workforce Housing, addressing the region's housing needs and promoting sustainable growth, through the implementation of key programs and policies presented in the County's 6th Cycle Housing Element. The following table provides a brief summary of programs along with program recommendations. A full description of the programs presented below can be found in the County's 6th Cycle Housing Element.

Table 4. Housing Element Programs Furthering Affordable and Workforce Housing Development

6th Cycle Programs	Program Details and Recommendations
Program 4: Inclusionary Housing	Consider applying the Inclusionary Housing Ordinance to rental housing developments and track the program efficacy to determine the inclusionary contribution to meeting the County's Regional Housing Needs Assessment (RHNA) targets at each income level. **Recommendation**: Complete a comprehensive Inclusionary Housing Study by December 2025 and revise the Inclusionary Housing Ordinance based on the findings, including (if financial feasibility can be demonstrated) rental housing projects as well as ownership development, 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	Modify zoning standards (setbacks, height limits, parking requirements) for new affordable housing, provide discretionary reductions of development impact fees for projects with public benefits, and provide gap financing for affordable housing projects. **Recommendation**: Amend zoning on additional sites for workforce and below market rate housing to increase densities, etc. by December 2025.
Program 6: Housing for Farmworkers and other Employees	Meet with housing developers and employers. **Recommendation**: Meet annually (first meeting by July 2025) and use as an opportunity to assess the need for implementation of neighborhood revitalization program in unincorporated County communities.
Program 10: Accessory Dwelling Units (ADUs)	Develop pre-approved plans for ADUs and create a fair housing fact sheet to include in ADU permit applications. **Recommendation**: Assess feasibility of developing an ADU forgivable loan program similar to Napa County's forgivable loan program for accessory dwelling unit construction (loans provided and forgiven in exchange for affordability covenants of at least 5 years and rents capped at specific Area Median Income level). The program would initially target local workforce and/or civil service employees. Complete assessment by December 2025.
Program 13: Density Bonus Provisions	Promote use of density bonus provisions during developer outreach and evaluate the appropriateness of a county density bonus program for Moderate-Income housing. **Recommendation**: By August 2025, update in alignment with AB 1287 and 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.

6th Cycle Programs	Program Details and Recommendations
Program 16: Reduction of Governmental Constraints	Expand Objective Design/Development Standards to the Montecito Land Use and Development Code (MLUDC) and the Coastal Zoning Ordinance and assess options to reduce or defer development impact mitigation fees for housing development projects. **Recommendation**: Revisit existing Objective Design Standards to ensure clarity and objectivity and apply to Housing Market Areas where workforce and below market rate units are planned (by July 2025). In addition, defer development fees to Certificate of Occupancy if Senate Bill 937 does not pass.
Program 18: Preservation of Affordable Housing at Risk of Conversion to Market Rate and Mobile Home Parks	Monitor at-risk rental housing projects, pursue funding to extend affordability covenants, and conduct outreach to acquire projects aging out of low-income use. **Recommendation**: Initiate steps to engage private equity to encourage investment in at-risk rental projects (see Section 6.4) by February 2025.
Program 19: Short-Term Rentals (STR)	Amend the zoning ordinances to include an STR Program for the Coastal Zone. **Recommendation**: Require annual registration, place an annual cap on the number of unhosted nights per year, require hosts to collect and remit hotel taxes, and heavily prohibit new permits. Draft amended ordinances by February 2026.
Program 21: Local Preference	Conduct study of an ordinance/guidelines to establish a local preference for Affordable and Workforce-Income housing units providing priority for people who live and/or work within the County region to rent or purchase affordable and Above Moderate-Income (120-200 % of the Area Median Income) housing units subsidized by the County or provided through the Inclusionary Housing Ordinance. **Recommendation**: Initiate study by December 2024 with completion by June 2025. If the study supports local preference, initiate implementation actions by September 2025.
Program 24: Rental Housing Incentive Program	Develop a program to incentivize rental housing development, considering zoning ordinance amendments for higher densities with smaller unit sizes. **Recommendation**: 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.

6.2 By-Right Development

By-right development would permit housing developments to proceed without the need for special permits, variances, or discretionary approvals, provided they meet predefined criteria. As discussed in the County's 6th Cycle Housing Element, pursuant to Government Code Section 65583, "use by right" means the housing project is not subject to a conditional use permit or other discretionary review or approval or environmental review under the California Environmental Quality Act (CEQA). By-right development streamlines the construction process, reduces uncertainty for developers, and can help quickly increase the supply of affordable housing for the spectrum of households that represent workforce housing in the County.

Pursuant to the findings in the Affordability Gap memorandum, workforce rental housing includes 30% - 120% Area Median Income while workforce ownership housing includes 120% - 200% of Area Median Income.

Figure 5 identifies key aspects of by-right development.

Figure 5. By-Right Development

Zoning Adjustments	In alignment with Program 1: Adequate Sites for RHNA and Monitoring of No Net Loss and Program 2: Use By-Right Approval in the County's 6th Cycle Housing Element, modify zoning codes to allow for higher density and a mix of housing types by-right (beyond the zoning amendments recently completed for Housing Element sites).
Clear and Predictable Standards	Establish Objective Design Standards that developers must meet, ensuring new developments are compatible with existing neighborhoods while expediting the approval process.
Reduced Uncertainty	Eliminate the need for special permits or variances, reducing uncertainty, and financial risk for developers.
Time and Cost Savings	Streamline the approval process to save time and reduce costs associated with lengthy discretionary reviews, making it more feasible for developers to include affordable units in their projects.
Encouraging Innovation	Include standards that encourage innovative design and construction methods, providing developers more flexibility to incorporate Workforce Housing into their projects.

6.3 Update Inclusionary Study and Revise Inclusionary Housing Ordinance (IHO)

Drawing from the information provided and findings from an in-depth analysis of the current Inclusionary Housing Ordinance (provided in Task 6), several recommendations and considerations were identified to align the County's Workforce and Affordable Housing objectives with current market conditions. These recommendations are based on a comprehensive analysis of County data as well as proforma analyses testing the feasibility of affordable and workforce development prototypes and targeted feedback obtained from stakeholder meetings. **Figure 6 below identifies key recommendations.**

Figure 6. Inclusionary Housing Ordinance Recommendations

- **Test the feasibility of (1) establishing inclusionary requirements for rental and mixed-use projects, and (2) the existing ownership housing requirements.**
- **Provide different set-asides for rental vs. ownership projects due to changes in state density bonus laws, market conditions, and lending regulations.**
- **Update in lieu fee methodology to reflect current market conditions and the financial "gap" between the cost to build and revenue from a unit (sales price or rent) for Very Low, Low, Moderate and Workforce/Missing Middle.**
- **Provide flexibility to developers to provide offsite units within the same Housing Market Area.**
- **Conduct follow up feasibility study on the methodology in line with mid-cycle Housing Element Update progress to ensure Inclusionary Housing Ordinance fee calculations align with changing market conditions.**

An in-depth discussion of the Inclusionary Housing Ordinance review and considerations can be found in the Task 6 Memo.

6.4 Public-Private Partnerships (PPPs) – Including Private Equity

Public-private partnerships can significantly boost the development of affordable Workforce Housing in Santa Barbara County by providing necessary funding, accelerating project timelines, and attracting stable, long-term investments. **It is recommended that the County expand the use of Public-Private Partnerships, including Private Equity resources**. Effective engagement strategies to help further public-private partnerships in affordable Workforce Housing are identified in **Figure 7** below.

Figure 7. Public Private Partnership Engagement Strategy

Create a Public-Private Partnership Task Force

- The County can establish a task force comprised of local government leaders, community leaders, and developers.

Develop a Public-Private Partnership Framework

- Develop guidleines around expectations, roles, responsibilities, and program perfromance metrics.

Targeted Outreach

- Identify private funders 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).

Relationship Building

- The County's task force would work to build relationships through direct outreach, personalized meetings, and stakeholder discussions to understand mutual goals and criteria.

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.

Example of Private-Public Partnership

- Marin County's Oak Hill Apartments Workforce Housing Program (School District Staff and County Staff). Joint Powers Agreement (JPA) between the County, the Marin County Office of Education, and the developer, Education Housing Partners (EHP). The JPA helped EHP secure tax-exempt financing.

6.5 Provide Incentives or Offer County Land Resources for Employers to Build Employee Housing

The County of Santa Barbara should provide incentives and offer County land resources for employers to build employee housing which can help address Workforce Housing shortages. Recommendations include:

Identify Suitable Land – Under Program 23: Workforce Housing Study in the County's 6th Cycle Housing Element Update, inventory County-owned land resources to identify parcels suitable for employee housing development. Consider proximity to employment centers and existing infrastructure.

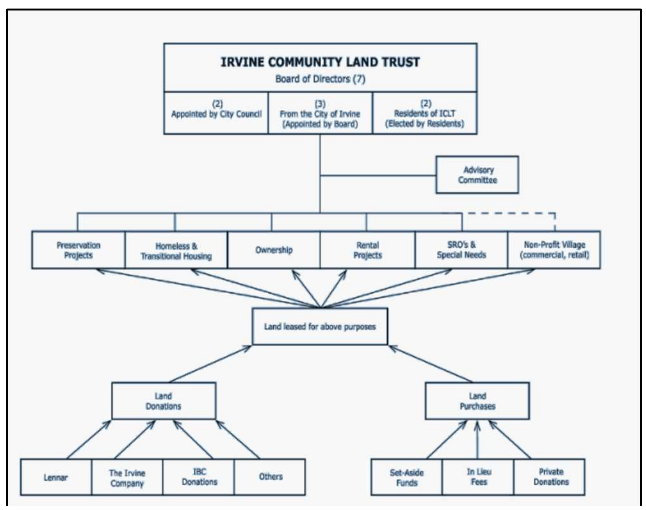
Policy Development - Develop policies and guidelines for the use of County land for employee housing, including eligibility criteria, lease terms, and development standards.

Create Incentives - Develop a package of incentives for employers to build employee housing, which could include:

- Tax Incentives - Property tax abatements or credits for developing Workforce Housing.
- Density Bonuses - Allow higher-density development on County land to maximize housing units.
- Fee Waivers - Waive or reduce development impact fees and permit fees.
- Expedited Permitting - Streamline the approval process for Workforce Housing projects.

6.6 Community Land Trust

Community Land Trusts (CLTs) offer a permanent solution by separating land ownership from housing ownership, ensuring long-term affordability. Community Land Trusts have expanded significantly, with 315 programs across the U.S. as of 2023, including 30 + in California.



Source: Community Land Trusts: Irvine; Terner Center, 2019

Case Study – Irvine Community Land Trust

Irvine, California, created the Irvine Community Land Trust (Irvine CLT) in 2006 to address high housing costs and the loss of affordable units. The Irvine Community Land Trust ensures that units created with public subsidies or inclusionary housing ordinances remain affordable indefinitely. The Community Land Trust model maintains affordability by holding land in trust and controlling housing resale, benefiting lower-income households over generations. The maintenance of the property to address rehabilitation and improvements to the land as needed over time is typically financed by the Community Land Trust.

Irvine Community Land Trust Specifics

- The city provided seed funding of $250,000 and staff support from the City's redevelopment agency to establish the Community Land Trust.
- Land is acquired through donations, fees, and grants.
- The Community Land Trust includes both rental and ownership housing, with long-term leases ensuring affordability. The Community Land Trust currently has five rental and one ownership property, totaling 475 units.
- Homeownership resale prices are tied to area median income changes, allowing homeowners to build equity.

Lessons Learned from Irvine Community Land Trust

- Community Land Trusts help local governments achieve long-term affordable housing goals.
- They provide a solution to market-rate developers needing to meet affordable housing obligations.
- Unlike traditional subsidies, Community Land Trusts offer permanent affordability while preserving public investment.
- State and local government support through policy and legislation is crucial for the success of Community Land Trusts.

The County should explore the feasibility of creating a Community Land Trust (CLT). By leveraging Community Land Trusts and fostering public-private partnerships, Santa Barbara County can create sustainable affordable housing solutions, ensuring long-term benefits for lower-income residents and stabilizing neighborhoods. The process to develop a Community Land Trust in Santa Barbara County could look like the following as identified in **Figure 8. Community Land Trust Establishment Process.**

Figure 8. Community Land Trust Establishment Process

Establish a Steering Committee
- Form a diverse steering committee representing various stakeholders to guide the Community Land Trust development process.
- Include representatives from local government, community organizations, potential Community Land Trust residents, and experts in Affordable Housing and land trusts.

Define the Community Land Trust Mission and Goals
- Clearly outline the mission, goals, and objectives of the Community Land Trust.
- Ensure the focus is on creating and preserving long-term Affordable Housing and addressing specific community needs.

Legal and Organizational Structure
- Establish the Community Land Trust as a non-profit organization with a representative governance structure.
- Draft and adopt bylaws and articles of incorporation.
- Apply for 501(c)(3).

Secure Initial Funding and Resources
- Local government, foundations, and philanthropic organizations.
- Grants, low-interest loans, and other financial resources to support initial operations and land acquisition.
- Contributions of land or funding under inclusionary requirements.

Develop Policies and Procedures
- Create policies for land acquisition, housing development, ground lease agreement, resale restrictions, and stewardship.
- Establish criteria for selecting residents and maintaining affordability.

Acquire Land
- Identify and acquire land through purchases, donations, or land swaps.
- Prioritize land near transit, job centers, and essential services to support community development.

Build or Rehabilitate Housing
- Partner with Affordable Housing developers.
- Include a mix of rental and ownership options to serve a diverse population.

Implement Stewardship and Support Services
- Provide homebuyer education, financial counseling, and maintenance assistance.
- Resale restrictions to ensure long-term affordability.
- Prioritize addressing emerging needs and challenges of the community.

Promote and Advocate for the Community Land Trust
- Community outreach, public relations, and marketing efforts.
- Advocate for supportive policies and funding at the local, state, and federal levels.
- Utilize existing and build new partnerships with other organizations and stakeholders.

Partner with Non-Profit
- The Community Land Trust would partner with a non-profit, entering into a ground lease agreement, including resale requirements to keep affordability in subsequent sales.
- The non-profit would own and manage the land, providing affordability in perpetuity.

6.7 Provide Above 100% Density Bonuses for Projects that Exceed Inclusionary Requirements; Update the Local Ordinance for Compliance with Assembly Bill 1287

California has updated the State Density Bonus Law to allow developers to add significantly more density to eligible projects. Assembly Bill 1287 introduces a new stackable density bonus aimed at promoting Middle-Income and additional Very Low Income housing. This law also allows developers to receive a density bonus for Moderate Income rental units for the first time.

Example of Density Bonus for Very Low-Income Units

% VLI Units	% Density Bonus
5	20
6	23.75
7	27.5
8	31.25
9	35
20	38.75

Example – a 100 unit rental project proposes 35 very low income units and 65 market rate units, the developer will receive:

- A 50% density bonus for having at least 15% of the project for very low income units (original density bonus law); AND
- **An additional 38.75% density bonus** for an additional 20% (above the 15% threshold) at very low income (under the new law).
- **The grand total of both density bonuses is 88.75%**. The project can be built regardless of zoning code maximum unit counts (as long as the original 100 unit project was within the zoning allowable units), with **189 units** and the City or County cannot say no or deny the project.

Example of Density Bonus for Moderate-Income Units

% Mod Units	% Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35
12	38.75
13	42.5
14	46.25
15	50

Example – a 100 unit rental project proposes 15 very low income, 15 moderate income, and 70 market rate units, the developer will receive:

- A 50% density bonus for having at least 15% of the project for very low income units (original density bonus law); AND
- **An additional 50% density bonus** for an additional 15% moderate units.
- **The grand total of both density bonuses is 100%**. The project can be built regardless of zoning code maximum unit counts (as long as the original 100 unit project was within the zoning allowable units), with **200 units** and the City or County cannot say no or deny the project.

PROGRAM/POLICY RECOMMENDATIONS

The recommendation is to update the current ordinance in alignment with Assembly Bill 1287 and to provide above 100% density bonuses for Workforce Housing projects that exceed inclusionary requirements. Actions for implementation include:

1. **Amend Density Bonus Ordinance**
    - Revise Density Bonus Ordinance: Update the County's density bonus ordinance to reflect the new provisions under Assembly Bill 1287. This includes adding stackable density bonuses for projects that go beyond the base inclusionary requirements.
    - Define Eligibility Criteria: Clearly outline the criteria that projects must meet to qualify for both the base and additional density bonuses.
2. **Establish Clear Guidelines**
    - Base Bonus Requirements: Ensure projects include <u>at least</u>:
        - 15% Very Low Income units.
        - 24% lower income units (this would be a mix of Very Low and Low Income units where the Very Low Income units would not equal 15% of the units).
        - 30% Moderate Income units.
        - The estimates for unit percentages align with provisions under AB 1287, assuming the highest levels of each area median income category without assuming a project at 100% affordable, allowing for consideration of the inclusion of market-rate units.
        - Ex: a project with 100 rental units, if the developer set 15% (15 units) at Low Income and 85 units at market rate, the developer could build 50 more units (a total of 150 units for the project with the density bonus) and the city or county would have to allow it because State law overrides local municipal laws.
    - Additional Bonus Requirements: Allow additional density bonuses for projects that include more Very Low Income or Moderate Income units (both for sale and rental).
3. **Implement a Sliding Scale for Bonuses**
    - Calculate Additional Bonuses: Use a sliding scale to calculate additional density bonuses based on the percentage of extra affordable units provided. For example:
        - Each additional 5% of Very Low Income units could grant an extra 10-20% density bonus.
        - Projects that include only Moderate Income units could offer a 50% density bonus for a certain % of Moderate. The additional Moderate-Income units would contribute to the bonus.
    - Additional bonuses could be targeted based on the needs of specific Housing Market Areas. South County Housing Market Area development could access additional bonuses for increased Very Low and Low Income units while North

County could receive additional bonuses for increased Moderate and Workforce Income units.

4. **Incentivize Compliance and Exceeding Requirements**
   - Financial Incentives: Offer financial incentives, such as reduced development fees, for projects that exceed the minimum inclusionary requirements.
   - Expedited Approval Process: Provide a faster permitting and approval process for projects that qualify for the 100% density bonus to encourage developers to participate.
5. **Developer Outreach**
   - Developer Workshops: Hold developer workshops to help provide education on new opportunities under Assembly Bill 1287 and the benefits of providing additional affordable units.
6. **Monitor and Evaluate**
   - Track Progress: Set up a system to monitor the number of projects utilizing the density bonuses and their impact on affordable housing supply. Regularly review and adjust policy based on feedback and efficacy in meeting affordable housing goals.

In addition to updating the County's current density bonus ordinance, the County will also ensure compliance of Assembly Bill 1287 with the County Code Chapter 35. Santa Barbara County Code Chapter 35, specifically in its Zoning Ordinance, plays a significant role in how density bonuses are applied to housing projects. Under this chapter, the County is required to grant density bonuses to developers who include affordable or senior housing in their residential projects, in line with California's state density bonus law (Government Code Sections 65915-65918). The County will amend provisions as needed to ensure compliance with the density bonus offerings provided under Assembly Bill 1287.

7. DISCLAIMER

- Information presented in this document is based on analysis conducted on our knowledge of the County, stakeholder engagement performed to date, and data received to date.
- As the other task memorandums and documents are drafted, it is anticipated that further analysis and stakeholder engagement related to the topics discussed in those may inform some of the information presented herein. This may result in suggested revisions by the Harris team to subsequent document drafts.
- We look forward to receiving the County's feedback on what is proposed within the document and incorporating the feedback in subsequent revisions.

COUNTY of SANTA BARBARA

Employer Sponsored Housing Models For Replication

Task 4 Memorandum

Harris & Associates

Table of Contents

EXECUTIVE SUMMARY

The issue of housing affordability in California has reached unprecedented levels of concern, impacting both regional economies and workforce stability. The availability of federal and state funding remains inadequate for both the development of new housing supply and the acquisition/rehabilitation of existing housing for the workforce.

To address these issues, Harris examined the structure of 16 successful workforce housing case study projects (four of which were employer-sponsored), nine of which have replicable features. Of the nine that are replicable, all are located in Southern California with three of the projects located in the City of Santa Barbara. It should also be noted three of the nine replicable projects are Private Equity projects.

Table 1 – Workforce Housing Projects with Replicable Features

Name	Location	Sponsor	Year Approved/ Built	Total Units	Area Median Income Range
Ownership					
Tejado Grove	Santa Barbara	Westmont College	2018	13	Up to 160%
Sage Park	Irvine	Irvine Community Land Trust	2022	68	up to 80%
Rental					
Sierra Madre	Santa Barbara	University of California, Santa Barbara	2015	35	Not Available
Las Barrancas	Santa Barbara	Westmont College	2009	41	120% to 160%
Mesa Trails	San Luis Obispo	Abbot Reed	In Development	313	Not Available
705 Serramonte	Daly City	Jefferson Union High School District	2022	122	Up to 80%
Baldwin Village	Los Angeles	Avanath Capital Management	Acquired in 2022	669	Up to 120%
Langdon Park at Baldwin Village	Los Angeles	Langdon Park Capital	Acquired in 2022	23	Up to 120%
Shiloh Terrace	Windsor	Monarch Private Capital	Under Construction	134	Not Available

Shaded rows are Private Equity backed projects, discussed in detail in Section 3 of this memo.

EXECUTIVE SUMMARY

These case studies projects reveal that **critical factors for the feasibility of new workforce housing developments** include:

- **Land donation.**
- **Public subsidies (tax credits, bonds, low-interest loans, etc.)/utilization of existing land assets.**
- **Public/private partnerships with investors/private equity firms.**
- **Partnerships with employers and school districts.**

Furthermore, for successful acquisition and rehabilitation projects, a key factor to success, was participation by private equity firms.

Each of the successful projects reviewed and listed in **Table 1** provided in the Executive Summary incorporated at least one or more of the key factors previously listed.

Based on the findings, Harris recommends the following actions for replication of successful workforce housing models:

Inventory and Assessment of Land Assets

- Conduct a comprehensive inventory of developable land assets owned by the County and other public agencies to identify potential sites for workforce housing projects. This step is in process through the Task 7 memorandum, County Housing Opportunity Sites.

Identify Public Agency Partners

- 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

- 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.

1 BACKGROUND

Santa Barbara County is among the highest ranked in housing costs for both renters and homeowners across all counties in California, ranking in the top five least affordable small metropolitan housing market in the nation (NAHB/Wells Fargo Housing Opportunity Index 2023 4th Quarter Report) and 4th among all California counties for severe cost burden for renters (Housing Trust Fund of Santa Barbara County). The pairing of high housing costs and a limited supply of housing options has left many renter households constrained. According to the United States Department of Housing and Urban Development Comprehensive Housing Affordability Strategy Data, 26% percent of renters and 25% percent of owner households in Santa Barbara County are extremely cost-burdened, spending more than 50% of their income on housing.[1] The Santa Barbara County Association of Governments Regional Growth Forecast estimates growth between 2019 and 2050 to create a 15% increase in population, a 25% increase in jobs, and a 25% increase in households[2], indicating that the existing need for affordable housing for the County's workforce is expected to increase.

Some employers and community organizations have allocated resources to provide housing programs and solutions for their employees to address the housing crisis in the area. An evaluation of housing projects in Santa Barbara and across the state illustrates how developers and employers have successfully created workforce housing. By examining each project's strengths, features that can be replicated, affordability restrictions, and challenges, the county will be able to pinpoint specific areas that can be replicated to meet its housing needs.

Table 2. Workforce Housing Projects Unable to be Replicated identifies workforce housing projects that were examined but determined to be irreplicable in the County for various reasons.

Table 2. Workforce Housing Projects Unable to be Replicated

Name	Location	Sponsor	Features Unable To Be Replicable
Bella Riviera	Santa Barbara	Cottage Health System	Today's market conditions, including high development costs and interest rates, make acquiring a premium land asset with an ocean view financially infeasible.

[1] HUD CHAS data: https://www.huduser.gov/portal/datasets/cp.html#query_2006-2020

[2] https://sbscchamber.com/wp-content/uploads/2024/04/Roadmap-to-Recovery-The-Road-Home_April-2024_digital.pdf

Name	Location	Sponsor	Features Unable To Be Replicable
West Campus Point	Santa Barbara	University of California, Santa Barbara	Land acquisition and environmental review processes are too costly.
915 E Montecito	Santa Barbara	Santa Barbara Unified School District	It's not feasible to recreate this project without a vacant site close to amenities that would allow for a competitive score for California Tax Credit Allocation Committee financing (the planned funding source for this project).
Jacaranda Court	Santa Barbara	Housing Authority of the City of Santa Barbara	Private investors with a mission and land donations are unlikely to be easily recreated without land committed for donation. However, it should be noted that replication is more plausible should the County have land available for donation.
Dana Reserve	San Luis Obispo	Cottage Health System	Approval for a Master Planned Community and costly acquisition.
Sugar Pine Village	South Lake Tahoe	Related California & St. Joseph Community Land Trust	It's not feasible to recreate this project without a land donation, strong public support, and affordable rents for those earning 80% of the Area Median Income or less.

A detailed table identifying all projects reviewed can be found in the Appendix of this memorandum.

2 PROJECT PROFILES

Tejado Grove developed by Westmont College – Santa Barbara, CA

Westmont College – Tejado Grove – Santa Barbara, CA (Ownership)

Parcel Size:	.75 Acres (Est.)
Completed:	2018
Affordability:	120%-160% of Area Median Income
Affordability Restriction:	Affordability Covenant and Option to Purchase Agreement (90-year term under the City of Santa Barbara's current policy)
Density:	17 units per acre
Number of Units:	13
Unit Type:	Condominium
Funding/ Development:	Developed and funded by Westmont College endowment and other financial efforts undertaken by the college

Project Description:

- 13-unit condominium project in the City of Santa Barbara, developed and funded by Westmont College in 2018.
- Restricted to Westmont College employees earning 120%-160% of Area Median Income.
- Project offers smaller housing units to Westmont College employees who do not require the larger, single-family homes of Westmont's Las Barrancas community.
- Units must be sold back to Westmont College when an employee leaves the institution.

Strengths and/or Replicable Features:

- Developing workforce housing on university-owned land.

Weaknesses and/or Challenges:

- Expensive acquisition if the employer does not already own land suitable for workforce housing.

Replicable Project Overall?

- Yes, if an employer has sufficient capital for development and land suitable for housing development.

Sierra Madre developed by the University of California, Santa Barbara – Santa Barbara, CA

University of California, Santa Barbara – Sierra Madre Apartments – Santa Barbara, CA (Rental)

Parcel Size:	150 Acres (Parcel includes 115-unit Student Housing complex)
Development Time Period:	2015
Affordability:	Reserved for UCSB faculty and staff
Affordability Restriction:	Not Available
Density:	1 dwelling unit per acre
Number of Units:	35
Unit Type:	2-bedroom apartments (28 total); 3-bedroom apartments (7 total)
Funding/ Development:	University of California, Santa Barbara Land parcel owned by Regents of the University of California

Project Description:

- A 35-unit, Leadership in Energy and Environmental Design (LEED)-certified rental housing project located approximately 1.5 miles from the University of California, Santa Barbara main campus, and within close proximity to numerous shopping and dining options, as well as parks and recreation.

Strengths and/or Replicable Features:

- Today, public universities and faith-based organizations may benefit from Senate Bill 4, the Affordable Housing on Faith Lands Act, which streamlines the process of building affordable housing on land owned by educational or religious institutions.

Weaknesses and/or Challenges:

- Organizations that do not benefit from Senate Bill 4 would be required to follow a more detailed and expensive development process.

Replicable Project Overall?

- Yes, however, this project could be more easily replicated by a public university or faith-based organization developing housing on an existing land asset, utilizing CA SB4.

Las Barrancas developed by Westmont College – Santa Barbara, CA

Westmont College - Las Barrancas – Santa Barbara (Rental)

Parcel Size:	23.28 Acres
Development Time Period:	1995-2009; Construction of the first 30 homes began in 1995, with additional construction taking place in 2008 after the Tea Fire
Affordability:	21 Units: 80%-120% of AMI; 20 Units: 120%-160% of AMI
Affordability Restriction:	-Affordability Covenant and Option to Purchase Agreement (90-year term under the City of Santa Barbara's current policy)
Density:	1.76 dwelling units per acre
Number of Units:	41
Unit Type:	Single-Family
Funding/ Development:	Developed and funded by Westmont College

Project Description:
- A 41-unit single-family home community adjacent to the Westmont College campus in Montecito.
- Developed and funded by Westmont College.
- Single-family workforce housing communities help to attract staff members with larger families.
- Units must be sold back to Westmont College when an employee leaves the institution.

Strengths and/or Replicable Features:
- Workforce housing constructed on land properties owned by the employer.

Weaknesses and/or Challenges:
- Expensive acquisition if the employer does not already own land suitable for workforce housing.

Replicable Project Overall?
- Yes, if an employer has sufficient capital for development and an existing underutilized land asset to develop for its staff.

Mesa Trails developed by Abbot Reed – San Luis Obispo, CA

Mesa Trails – San Luis Obispo (Rental)

Parcel Size:	10.48 Acres
Development Time Period:	Currently in the planning stages with development anticipated over the next few years; Project received approval from the San Luis Obispo Planning Commission in February 2024
Affordability:	73 Affordable Units, 240 Market-Rate Units
Affordability Restrictions	Regulatory Agreement with California Tax Credit Allocation Committee
Density:	29.87 dwelling units per acre
Number of Units:	313
Unit Type:	Studio, 1-Bedroom, 2-Bedroom, 3-Bedroom Units
Funding/ Development:	-Abbot Reed Group (Developer of Market-Rate Portion) -Housing Authority of San Luis Obispo (Sponsor/Developer of Affordable Housing Portion) -Tax Credit Allocation Committee Application Planned for 2025

Project Description:

- A 313-unit residential community consisting of 240 market-rate housing units and 73 affordable housing units. The project benefitted from a density bonus allowing more units to be built than permitted by the parcel density.

Strengths and/or Replicable Features:

- Focusing development in local areas targeted for housing and development to attract public support.
- Pairing market-rate housing with affordable housing to build more units (density bonus).

Weaknesses and/or Challenges:

- Environmental Review, Traffic Mitigation, Public Opposition.

Replicable Project Overall?

- Potentially, however since this project is still in predevelopment and has not assembled all financing, Harris is unable to determine which specific features are replicable at this time.

705 Serramonte developed by Jefferson Union High School District – Daly City, CA

Jefferson Union High School District (JUHSD) – Daly City, CA (Rental)

Parcel Size:	3.3 Acres
Development Time Period:	Built 2022
Affordability:	80%-120% of Area Median Income
Affordability Restrictions:	Restricted by the Educational Housing Corporation Board Association
Density:	14 dwelling units per acre
Number of Units:	122
Unit Type:	1-Bedroom (59 total), 2-Bedroom (56 total), 3-Bedroom (7 total)
Funding/ Development:	-Developed on underutilized property owned by JUHSD -Funding: $33 million in bonds via Measure J, $45.5 million borrowed through a Certification of Participation repaid through rental revenue

Project Description:

- A 122-unit affordable housing project for Jefferson Union High School District employees developed on land owned by the school district.
- Financed by a bond measure and Certification of Participation. Not replicable unless affordable housing bonds are issued.
- Rental income will flow directly to Jefferson Union High School District to revolve into school district operations and repay the Certification of Participation.

Strengths and/or Replicable Features:

- Redeveloping an underutilized land asset already owned by an employer.
- Passing a bond measure to finance a portion of the project.
- Using rental income to attract private investment.

Weaknesses and/or Challenges:

- Passing a bond measure is unique to school districts, can be time-consuming and costly.

Replicable Project Overall?

- Yes. However, this project is only replicable if there are bonds issued for affordable housing and land owned by a school district-owned land.

Sage Park developed by Irvine Community Land Trust – Irvine, CA

Sage Park – Irvine, CA (Ownership)

Parcel Size:	4 Acres
Development Time Period:	2014 - 2022
Affordability:	30% - 80% of Area Median Income
Affordability Restrictions:	120% or below the Area Median Income
Density:	17 dwelling units per acre
Number of Units:	68
Unit Type:	2-bedroom townhomes (16 total), 3-bedroom townhomes (36 total), and 4-bedroom townhomes (16 total)
Funding/ Development:	City of Irvine and Irvine Company (Donors of Land) Irvine Community Land Trust (Developer/Sponsor) Banner Bank (Financial Assistance)

Project Description:

- Sage Park is the Irvine Community Land Trust's first affordable home ownership community, consisting of 68 townhouse units reserved for households earning 30%-80% of the Area Median Income.

Strengths and/or Replicable Features:

- The project received an approximate $6 Million subsidy from the City in addition to a land donation.

Weaknesses and/or Challenges:

- Development costs can be significantly higher for projects that do not benefit from a land donation.

Replicable Project Overall:

- Yes, although a land donation and public subsidy would be required to replicate this project.

3 PRIVATE EQUITY PROJECTS

Given the scarcity of public funding, developers face significant challenges in constructing workforce housing. To address this gap, private equity firms have stepped in with targeted investments across various workforce housing projects in Southern California. These firms are actively involved in both new construction and acquisition/rehabilitation efforts, including implementing affordability covenants and improving acquired properties. This highlights a growing trend recognizing workforce housing as a stable, long-term investment, as discussed in the Task 6 Memorandum, Preservation and Retenetion of Affordable Housing Stock. Furthermore, affordable housing has attracted the attention of social impact-focused investment firms, which see it as an opportunity to achieve their environmental, social, and governance objectives.

This trend, still relatively new, offers a prime opportunity to expand the availability of affordable housing, especially in an era where public funding is limited and often reduced through budget cuts. With property tax incentives for affordable rental projects, persistent high demand paired with limited supply, and the appeal to investors—particularly international ones—with Environmental, Social, and Governance commitments, investing in affordable housing becomes a compelling option.

Affordable properties experience much lower turnover compared to market-rate rentals due to the stability of their rent, which remains below market rates and shields tenants from escalating housing costs that may not align with income growth. As a result, pension funds and other institutional investors are showing more interest in adding these properties to their stable investment portfolios. A key advantage of private sector funding is the reduction in regulatory hurdles and the faster timeline for developing affordable and workforce housing. Unlike projects that rely on multiple funding sources—which often require numerous applications and varying schedules—privately funded initiatives can typically be completed within 2-3 years, compared to the 5-7 years often needed for projects involving Low-Income Housing Tax Credits, and usually at a lower development cost due to factors like a reduction in costly regulatory factors (prevailing wages, additional compliance oversight, etc.), use in innovative construction methods, materials, and project designs, and a higher level of risk tolerance equating to reduced contingencies and shorter timelines. **A detailed discussion on the utilization of Private Equity funding in the development of affordable and workforce housing can be found in the Task 6 memorandum.**

As mentioned in the Executive Summary of this memorandum, the 16 successful workforce housing projects reviewed included Private Equity projects, with three of these being replicable. The fourth Private Equity project reviewed, currently being developed by Leap of Faith Partners in Ventura, California, was found to be irreplicable in the county due to its complex financing structure, use of density bonuses, and expensive acquisition. The project profiles of those deemed replicable can be found on the following pages.

Baldwin Village by Avanath Capital Management and the Housing Authority of Los Angeles – Los Angeles, CA

Private Equity Case Study 1: Baldwin Village – Los Angeles, CA (Rental)

Parcel Size:	10.57 Acres
Development Time Period:	Buildings constructed from 1948 to 1955 (Acquired/converted to affordable housing in 2022)
Affordability:	234 Units: Households earning up to 60% of AMI 234 Units: Households earning up to 80% of AMI 201 Units: Workforce Housing (Income Levels TBD)
Affordability Restriction:	55-year deed restriction on affordable units
Density:	63.29 dwelling units per acre
Number of Units:	669
Unit Type:	Studio (30 Total), 1-Bedroom (331 Total), 2-Bedroom (306 Total), 3-Bedroom (2 Total)
Funding/ Development:	Avanath Capital Management, Housing Authority of the City of Los Angeles, Kaiser Permanente (Joint Venture) Northmarq (Secured $121 million in acquisition financing from Fannie Mae)

Project Description:

- 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. 468 units within the complex were restricted to households earning 60-80% of Area Median Income.
- Units will remain affordable for 55 years.
- Deed restricted for 55 years (terms of agreement unknown).

Strengths and/or Replicable Features:

- Public/private partnership between private equity and Housing Authority to acquire units at risk of conversion
- Under California law, units restricted to 80% of Area Median Income or lower are exempt from property taxes, lowering property tax bill, and allowing property owner to pass on rent savings to tenants.

Weaknesses and/or Challenges:

- Properties serving higher income levels would not qualify for the tax exemption that allowed this acquisition to be financially feasible.

Replicable Project Overall?

- Yes, this project features a public-private partnership utilizing the Housing Authority's ability to maintain long-term affordability while leveraging private equity for acquisition financing.

Langdon Park at Baldwin Village by Langdon Park Capital – Los Angeles, CA

Private Equity Case Study 2: Langdon Park at Baldwin Village (Rental)

Parcel Size:	1 Acre
Development Time Period:	Built 1957 (Acquired in 2022 / Undergoing Renovation)
Affordability:	60%-120% of Area Median Income
Affordability Restriction:	Offers a mix of market rate and affordable (up to 80% of the area median income)
Density:	23 dwelling units per acre
Number of Units:	23
Unit Type:	Studio (1 Total), 1-Bedroom (9 Total), 2-Bedroom (13 Total)
Funding/ Development:	-Langdon Park Capital (Acquisition / Investments in Capital Improvements and Renovations) -Kennedy Wilson (Seed Capital)

Project Description:

- Acquisition of 2 adjacent residential buildings originally constructed in 1957.
- The buildings, now known as "Langdon Park at Baldwin Village", were purchased in 2022 for approximately $5.65 million by Langdon Park Capital, a private equity firm specializing in the acquisition and renovation of workforce housing properties located in historically underserved communities.

Strengths and/or Replicable Features:

- Exemplifies growing interest in affordable housing from private equity firms (affordable housing is considered a relatively stable investment with high demand/low vacancy rates compared to other property types such as office).

Weaknesses and/or Challenges:

- Assembling funding.
- Financial feasibility for projects serving moderate income levels.

Replicable Project Overall?

- Yes, this project signals private equity interest in affordable housing as it is a low-risk investment.

Shiloh Terrace Apartments by Monarch Private Capital – Windsor, CA

Private Equity Case Study 4: Shiloh Terrace Apartments – 6011 Shiloh Road, Windsor, CA (Rental)

Parcel Size:	4.01 Acres
Development Time Period:	Under Construction
Affordability:	30%-70% of Area Median Income
Affordability Restriction:	Deed restricted to households earning 30%-70% of Area Median Income
Density:	33.42 dwelling units per acre
Number of Units:	134
Unit Type:	2-Bedroom, 3-Bedroom
Funding/ Development:	Monarch Private Capital CRP Affordable Housing & Community Development Low Income Housing Tax Credit (LIHTC) Financing

Project Description:

- 134-unit apartment complex developed by Monarch Private Capital, a leading Environmental, Social, and Governance (ESG) investment firm, in collaboration with CRP Affordable Housing & Community Development.
- The project includes 134 affordable residential units and a commercial portion.

Strengths and/or Replicable Features:

- Workforce housing projects can advance Environmental, Social, and Governance goals of private equity firms and investors.
- Low-Income Housing Tax Credit financing for lower-income housing projects.

Weaknesses and/or Challenges:

- Future projects may not be eligible for Low Income Housing Tax Credit (LIHTC) financing if the units are reserved for higher workforce income levels.

Replicable Project Overall?

- Yes, this project signifies the viability of using workforce housing to advance Environmental, Social, and Governance goals. This will open up the funding options available to affordable housing developers.

4 AFFORDABLE HOUSING PROGRAMS SPONSORED BY LOCAL EMPLOYERS

Employer-sponsored affordable housing programs play a crucial role in developing and improving access to workforce housing by directly addressing the housing needs of employees. By investing in affordable housing, employers not only support their employees but also foster stronger, more resilient communities. Provided in the table below are examples of employer sponsored affordable housing programs in the County of Santa Barbara.

Table 4. Employer Sponsored Affordable Housing Programs

Employer	Program	Details
Cottage Health System	**Mortgage Assistance Program**	After completing one year of employment, employees become eligible for the Mortgage Assistance Program at Cottage Health System. Qualified buyers are offered a low-interest loan to help them purchase a single-family home. The low-interest loan is in the form of a second trust deed on the property. Employees can receive assistance of 15% or up to $250,000 for a down payment.
Coastal Housing Partnership	**Home Buying Benefit**	Real estate professionals in the Coastal Housing Network offer discounts on their services to employees of member companies. When a member is purchasing a home, they can access three types of savings: Lender Credit, Agent Credit, Inspection Cost Savings, and Moving Company Savings.
	Rental Assistance Benefit	Local landlords in the Coastal Housing Network are offering reduced monthly market rents on new leases for their rental units to employees who are members of the Coastal Housing Partnership. Eligible individuals must be employed by a member company and not renting a unit at another participating property. The rent reduction is $50 for a studio or 1-bedroom, $75 for two or more bedrooms, and $100 for a single-family home.
	Rental Search Site	Coastal Housing Partnership hosts a rental search site providing information on available rentals in Ventura and Santa Barbara Counties. The site was created to provide local employees of Coastal Housing Partnership member companies with an easy way to search for rentals. Landlords are able to post their listings for free.

5 RECOMMENDATIONS

Harris' research has identified several critical factors that influence the success of new workforce housing developments. Key elements include the donation of land, the use of public subsidies and existing land assets, and the formation of partnerships with employers, school districts, and public/private investors. Successful projects consistently incorporate one or more of these features, highlighting their importance in achieving feasibility and effectiveness.

1. **Inventory and Assessment of Land Assets**: Maintain a thorough inventory of developable land assets owned by the County and other public agencies. This will allow for easy identification of potential sites for workforce housing projects.
2. **Public Subsidies**: Leveraging public subsidies, such as inclusionary housing fees, can provide essential 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.
3. **Partnerships with Employers and School Districts**: Engaging with local school districts and employers, such as Lompoc and Santa Barbara Unified, who are interested in workforce housing for their employees, can offer additional support and resources. These partnerships can provide valuable insights and contribute to project success by addressing local workforce needs.
4. **Identify Public Agency Partners:** Establish proactive partnerships by engaging with school districts throughout the County and other public agencies that control local land assets. These collaborations can unlock valuable resources for workforce housing developments. Donated publicly owned land significantly reduces development costs compared to acquiring land at current market value.
5. **Public/Private Partnerships with Investors and Private Equity Firms:** Collaborating with investors and private equity firms can bring in necessary capital for workforce housing projects. Private equity often favors areas with a significant shortage of affordable housing, making it a viable source of funding. Further research is needed to fully understand the criteria of individual investors and firms to align their investment goals with project needs. The Task 5 Memorandum, Funding Opportunities and Financial Resources, provides recommendations on how to identify and engage with private equity firms.

Implementing these recommendations will leverage proven strategies to create effective workforce housing solutions and maximize the impact of available resources.

6 DISCLAIMER

- Information presented in this document is based on analysis conducted on Harris' knowledge of the County, stakeholder engagement performed, and data received from the County.

7 APPENDIX – WORKFORCE PROJECTS FINDINGS TABLE

Name	Location	Sponsor	Rental/ Ownership	Year Approved/ Built	Total Units	Income Levels: <80% Area Median Income (Moderate)	Income Levels: <120% Area Median Income (Middle)	Income Levels: <160% Area Median Income (Upper Middle)	Income Levels: <200% Area Median Income (upper Middle)	Market Rate	Financing: Low Income Housing Tax Credits	Financing: Other Public Subsidy	Financing: Private Funding
REPLICABLE													
Tejado Grove	Santa Barbara	Westmont College	Ownership	2018	13	0	0	13	0	0	Not Applicable	None	Yes
Sierra Madre	Santa Barbara	University of California, Santa Barbara	Rental	2015	35	Information Not Available				0	None	None	Yes
Las Barrancas	Santa Barbara	Westmont College	Rental	2009	41	0	21	20	0	0	None	None	Yes
Mesa Trails	San Luis Obispo	Housing Authority of San Luis Obispo	Rental	In Development	313	73	0	0	0	240	Yes	Yes	Yes
705 Serramonte	Daly City	Jefferson Union High School District	Rental	2022	122	122	0	0	0	0	None	None	Yes
Sage Park	Irvine	Irvine Community Land Trust	Ownership	2022	68	68	0	0	0	0	Not Applicable	Unknown	Yes
Langdon Park at Baldwin Village	Los Angeles	Langdon Park Capital	Rental	Acquired in2022	23	0	120	0	0	0	None	None	Yes
Baldwin Village	Los Angeles	Avanath Capital Management	Rental	Acquired in 2022	669	468	201	0	0	0	None	None	None
Shiloh Terrace	Windsor	Monarch Private Capital	Rental	Under Construction	134	134	0	0	0	0	Yes	None	Yes
Total Units					**1,418**	**865**	**342**	**33**	**0**	**240**			
IRREPLICABLE													
Bella Riviera	Santa Barbara	Cottage Health System	Ownership	2013	115	0	19	0	62	34	Not Applicable	None	Yes
West Campus Point	Santa Barbara	University of California, Santa Barbara	Rental	1987	65	Information Not Available				0	None	Unknown	Yes
915 E. Montecito	Santa Barbara	Santa Barbara Unified School District & Housing Authority of Santa Barbara	Rental	In Development	45	0	45	0	0	0	TBD	Yes	Unknown

						Income Levels					Financing		
Name	Location	Sponsor	Rental/ Ownership	Year Approved/ Built	Total Units	<80% Area Median Income (Moderate)	<120% Area Median Income (Middle)	<160% Area Median Income (Upper Middle)	<200% Area Median Income (upper Middle)	Market Rate	Low Income Housing Tax Credits	Other Public Subsidy	Private Funding
IRREPLICABLE													
Jacaranda Court	Santa Barbara	Housing Authority of the City of Santa Barbara	Rental	In Development	63	0	0	63	0	0	None	Yes	Yes
Dana Reserve	San Luis Obispo	NKT Commercial & People's Self Help Housing	Rental & Ownership	In Development	1,370	Information Not Available					Yes	Unknown	Yes
N. Ventura Ave	Ventura	Leap of Faith Partners	Rental	Under Construction	125	Information Not Available				116	None	Yes	Yes
Sugar Pine Village	South Lake Tahoe	Related California & St. Joseph Community Land Trust	Rental	Under Construction	248	248	0	0	0	0	Yes	Yes	Yes
Total Units					2,031	248	64	63	62	150			

COUNTY of SANTA BARBARA

Funding Opportunities and Financing Resources

Task 5 Memorandum

Table of Contents

EXECUTIVE SUMMARY

Financing affordable housing can be a complex and lengthy process due to limited funding, competing priorities, and high development costs. In California, funding sources for affordable housing focus primarily on lower-income rental projects with limited options for rental or ownership units for middle-income households. This memorandum provides information on the available funding sources and methods for providing workforce rental and ownership housing. Workforce is defined in the Task 2 memorandum as housing units for households with the following income categories:

- **Rental - 30% - 120% of Area Median Income**. This breakdown assumes:
  - 30% - 50% Very Low Income workforce
  - 51% - 80% Low Income workforce
  - 81% - 120% Moderate Income workforce.
- **Ownership - 120%-200% of Area Median Income**.

This memorandum identifies current public and private funding opportunities and financing strategies for workforce housing development and creation. The analysis of these opportunities and strategies indicate the following recommended actions for the County to pursue in order to further workforce housing:

- **Pursue opportunities/strategies in which the County is an eligible applicant**.
  - Private Equity – Private sector investment can help bring essential funding and long-term investments for workforce housing development.
  - Grant Opportunities - Applying for a Prohousing Designation allows the County access to additional grant opportunities.
  - Joint Powers Authority – Joining a Joint Powers Authority can serve as a cost-effective way to increase the stock of affordable workforce housing, with the option to own the projects. It should be noted the County's Planning & Development department is currently exploring this opportunity.
- **Engage the developer community to pursue opportunities for which the County is not an eligible applicant**.
  - The majority of the funding opportunities and financing strategies discussed in this memorandum are only eligible to developers. The County can best leverage these opportunities by ensuring the availability of opportunities for development through the utilization of County-owned land, gaining insight into projects developers are most interested in pursuing and providing incentives to help encourage the development of more affordable housing.

An analysis of available funding sources and financing mechanisms for workforce housing is summarized in Table 1 below. **Please note the table has been color-coded to identify opportunities and strategies the County should prioritize, with green being a first priority and yellow/amber representing opportunities and strategies that may require additional effort and time or those in which the County has less autonomy to fully pursue.**

Table 1 – Executive Summary Findings

Source of Funding	Who is Eligible?	Acquisition or Development	Public/ Private	Rental/ Ownership	Recommended County Action
Private Equity	Public Agencies and Developers	Acquisition and Development	Private	Rental	• Form a team of Planning & Development and Housing & Community Development staff and community stakeholders to develop relationships with private equity investors. • Expand relationships by partnering with specific private funders known for investing in affordable housing like Turner Impact Capital, Langdon Park Capital, Monarch Private Capital, Santa Barbara Investment Company, and the Chan-Zuckerberg Initiative. • Check the investment criteria of potential partners online and rule out those not fitting Santa Barbara County's qualifications. • Schedule meetings with potential investors and create presentations that cater to their specific interests, utilizing help from local nonprofits for additional support. • Showcase Santa Barbara County at major housing industry events to network and attract investors. Events could include the Urban Land Institute (ULI) Fall Meeting, the National Housing Conference (NHC) Annual Policy Symposium, Affordable Housing Finance Live, the Public-Private Partnership Conference & Expo (P3C), and various Bisnow Affordable Housing Conferences across California.

Source of Funding	Who is Eligible?	Acquisition or Development	Public/ Private	Rental/ Ownership	Recommended County Action
Grant Funding	Public Agencies and Developers	Acquisition and Development	Public	Rental and Ownership	• The County should apply to receive a Prohousing Designation to access funding opportunities under the Prohousing Incentive Program, with the designation making the County more competitive for other grant funding opportunities. • The County should assess the eligibility for state and federal grants on an annual basis and continue to apply for eligible grant opportunities.
Joint Powers Authority **California Community Housing Agency (CalCHA)** **California Statewide Communities Development Authority Community Improvement Authority (CSCDA CIA)**	Public Agencies	Acquisition and Development	Public	Rental	• Engage with California Community Housing Agency (CalCHA) regarding the Essential Housing Program and California Statewide Communities Development Authority Community Improvement Authority; learn more about their Workforce Housing Program, and how each program might benefit the County's efforts to increase affordable workforce housing stock. • Determine market-rate multifamily properties available for acquisition for middle-income housing, estimate costs to acquire and operate, determine financial feasibility, and potentially join a Joint Powers Authority to acquire these properties, rehabilitate them, and then impose rent restrictions to provide workforce housing.
Certification of Participation	Public Agencies	Development	Private	Rental	• Engage with the Lompoc Unified School District, Goleta Union School District, Santa Barbara Unified School District, Santa Maria Joint Unified High School District, Santa Maria-Bonita School District, and Santa Barbara County Education Office to discuss the possibility of using an existing County land asset for a housing project developed by one of the

Source of Funding	Who is Eligible?	Acquisition or Development	Public/ Private	Rental/ Ownership	Recommended County Action
					school districts mentioned to utilize a Certificate of Participation.
California Housing Finance Agency – Mixed Income Program	Developers	Development	Public	Rental	• Engage the Developer community to identify potential for partnership on a new housing multifamily housing project including ensuring site availability for potential projects and developer understanding of program requirements. • Become familiar with the process to be able to help work with developers in addressing the ability to meet qualifications prior to applying. Main qualification areas include eligibility, funding use, financing structure, project readiness, evidence of cost containment, and evidence of subsidy efficiency. • Complete the program application.
National Equity Fund Workforce Housing Fund	Developers	Development and Acquisition	Private	Rental	• Reach out to the National Equity Fund regarding requirements and the possible use of County-owned land for this purpose. If this entity expresses interest in the region, the County can issue a request for proposal for land and collaborate with the National Equity Fund to facilitate the financing.
4% Low-Income Housing Tax Credit	Developers	Development	Public	Rental	• Conduct an annual targeted outreach meeting with affordable housing developers active in the region to discuss feasible ways that the County can encourage projects and identify incentives to target higher income levels (higher proportion of Low Income at 80% of Area Median Income) in projects and identify County-owned property for use. • Request competitive bids from developers for a project that utilizes this funding source. As part of the bid process, the County should also require

Source of Funding	Who is Eligible?	Acquisition or Development	Public/ Private	Rental/ Ownership	Recommended County Action
					developers to demonstrate prior award and utilization of Low-Income Housing Tax Credit funding. • County staff can also work with cities to help in the completion of the Local Reviewing Agency Application form.
Non-Low Income Housing Tax Credit Forward Commitment	Developers	Development	Private	Rental	• Santa Barbara County should engage with banks and investment entities offering Non-Low Income Housing Tax Credit Forward Financing about prioritizing a deal in the County for a new development of a substantial rehabilitation project for housing serving moderate income levels of 80% to 120%. The County should begin with learning more about this resource through Freddie Mac. • Subsequently, the County should hold a focused developer stakeholder meeting to discuss, and also present, County-owned sites (Tier 1 sites that are development ready) to obtain input from developers on what would be needed to do a project. A listing of these sites is provided in the Task 7 memorandum.

1 AFFORDABLE HOUSING (INCLUDING WORKFORCE HOUSING)

1.1 Background

The rising cost of housing has emerged as a critical concern for Santa Barbara County, and it is not the only region in California struggling with this issue. Housing affordability has become a major challenge, making it increasingly difficult for individuals and families to find suitable housing options. Addressing this challenge is vital to ensure that everyone has access to safe and affordable housing that meets their needs.

Per the County's certified 6th Cycle Housing Element, roughly 41% of households in the County face housing cost burdens, with 20% experiencing severe cost burdens. A household is classified as cost-burdened when it spends more than 30% of its adjusted gross income on housing expenses. HUD defines households that spend over 50% of their adjusted gross income on housing as severely cost-burdened. In Santa Barbara County, 54% of renter households are housing cost-burdened, with 27% severely cost burdened. For owner households, 37% are reported as cost burdened with 15% experiencing severe cost burden. Rising rents and mortgages, coupled with a supply shortage, have impacted California residents across various income levels.

Developers focus on building three predominant categories of housing:

Low Income Targeted Apartments

- Supported by public subsidies and a tax credit program designed to be affordable for people earning < 80% of the project's Area Median Income.
- Typically 5+ funding sources needed making the development process lengthy and complicated.

Luxury Market Rate Apartments

- Aimed at high-end renters who are willing to pay a premium for high-quality amenities and premium locations.
- Financing simpler because builders use private equity to secure loans for construction projects and repay the loan through high rents.

Single Family Homes and Townhomes

- Designed for purchase by high-income earners who can afford expensive homes.
- Utilizes equity to leverage financing from a bank. Since there is a lack of public funding for ownership housing, developers are not typically building homes for low to middle-income households.

These three categories represent the majority of the housing options constructed by developers. As a result, there is a significant shortage of middle-/moderate-income workforce housing options.

AFFORDABLE HOUSING (INCLUDING WORKFORCE HOUSING)

Affordable housing options are essential for people with moderate incomes like teachers, healthcare workers, and safety officers. To address the lack of supply of workforce housing, municipalities are working toward solutions to incentivize developers to build for this population.

Some roadblocks developers face to build cost-effective workforce housing are:

- **High development and construction costs are not supported by 80% to 120% AMI rents.**
- **Lack of available funding programs.**
- **Development impact fees.**
- **Lengthy entitlement process.**
- **Insufficient financing options.**
- **High cost of land.**

The analysis that follows will provide The County of Santa Barbara with strategies to effectively develop workforce housing and identify funding opportunities and financing strategies for the development of workforce housing.

2 FUNDING OPPORTUNITIES

To support workforce housing development, public agencies and developers should consider how these projects can be financially supported. Outside of funding sources for lower income rental housing serving households at 80% of Area Median Income and below, federal and state funding sources focused solely on middle-/moderate-income workforce housing development are not available.

As a result, projects for households earning between 80% and 120% of the Area Median Income are very rare. This means middle-income workforce housing developments require creative financing utilizing multiple funding sources, support from public agencies, and development incentives to be feasible.

An analysis of available funding sources that could be utilized by the County (private equity and Joint Powers Authority) are discussed below.

2.1 Private Equity (Development and Acquisition)

2.1.1 Background

Public-private partnerships can greatly enhance the development of affordable workforce housing in Santa Barbara County. These collaborations bring essential funding, speed up project completion, and draw in stable, long-term investments.

Following the COVID-19 pandemic, which led to eviction protections and a downturn in office markets, the private investment sector has increasingly focused on housing. The private sector's interest in affordable housing includes renovating older market-rate rentals, recording affordability covenants, and making property upgrades. This movement is bolstered by fewer public subsidies and the attractiveness of property tax incentives, an ever-present demand, and the suitability of such investments for foreign investors with Environmental, Social, and Governance (ESG) mandates.

Articles and discussions, such as those featured in *Bisnow*, highlight how private equity and the housing sector can align to produce affordable housing more efficiently. Strategies include unique partnership models where landowners exchange land for equity, reducing upfront costs and sharing the financial gains from property appreciation. This investment approach promises viable returns and is considered stable enough to attract institutional investors like pension funds.

The shift toward privately funded affordable housing projects is seen as a quicker and more cost-effective alternative to traditional public funding methods, potentially reducing development timelines from 5-7 years to 2-3 years. An in-depth discussion of Private Equity funding can be found in the Task 6 memorandum, Preservation and retention of Affordable Housing Stock.

2.1.2 Requirements

Ensuring a project is financially viable and aligns with the interests of private investors is crucial. Investors typically seek projects that promise reasonable returns and may prefer those with lower associated risks. Projects should demonstrate how they meet these investor expectations while also fulfilling local housing needs.

Examples of Private Equity investment in affordable housing include:

Langdon Park Capitol

- In 2022 Langdon Park Capital purchased a naturally occuring affordable housing 138-unit property in the City of West Covina that rents to Lower to Moderate-Income families. The firms 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.

Communtiy Preservation Partners

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

Monarch Private Capital

- In 2022, Monarch Private Capital invested in the development of 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.

Genesis LA

- Genesis LA provides investment funding and new markets tax credits to developers like Heritage Housing Partners, Clifford Beers Housing (Holos), and Azure Development for affordable housing development projects in the County of Los Angeles.

Private investors are increasingly motivated to develop and acquire affordable housing due to its profitability, the reduced need for public subsidies, appealing property tax incentives, constant demand, and suitability for foreign investors with Environmental, Social, and Governance mandates. Affordable housing properties have lower tenant turnover compared to market-rate rentals, as their stable, below-market rents protect tenants from rising housing costs that often outpace income growth. Consequently, pension funds and institutional investors are drawn to affordable housing as a stable addition to their portfolios.

2.1.3 Recommendations

The County should actively engage with a selected group of investment funds, developers, lenders, and other stakeholders within the affordable housing sector. This will help to define community-specific criteria, explore how the County aligns with these criteria, and understand the actions needed to attract private sector investment in affordable and workforce housing. Participation in one or two industry conferences could also be beneficial for networking, fostering relationships, and promoting the County as an attractive investment location. Recommended actions include:

- **Establish a Public-Private Partnership Task Force**. This team will focus on cultivating relationships with private equity funding sources as mentioned earlier. The County should consider comprising the team of Planning & Development Staff, Housing & Community Development Staff, and community stakeholders (Sanat Barbara Foundation, Santa Barbara County Housing Authority, etc.).
- **Identify and collaborate with Private Funders**. Build on existing connections with developers and nonprofits in affordable housing by adding private funders like Turner Impact Capital, Langdon Park Capital, Monarch Private Capital, Santa Barbara Investment Company, and the Chan-Zuckerberg Initiative.
- **Review the investment criteria** on the websites of potential partners and exclude those for which Santa Barbara County does not qualify.
- **Arrange meetings with entities listed in the second recommendation**. Prepare detailed presentations that highlight demographic data and other relevant information that aligns with each entity's investment criteria. Consider enlisting support from nonprofit organizations that work with the County on affordable housing initiatives to help with research, outreach, and relationship building.
- **Participate in industry conferences**. Promote Santa Barbara County by attending significant events such as the Urban Land Institute (ULI) Fall Meeting, the National Housing Conference (NHC) Annual Policy Symposium, Affordable Housing Finance Live, the Public-Private Partnership Conference & Expo (P3C), and various Bisnow Affordable Housing Conferences across California.

2.2 Joint Powers Authority (Acquisition/Preservation and New Construction)

A Joint Powers Authority is a legal entity in which two or more public entities come together to address a common problem. In housing development, a Joint Powers Authority allows public agencies to collectively issue bonds and hold property. Joint Powers Authorities have been instrumental in acquiring and preserving housing options for Moderate Income earners, in exchange for tax benefits. Since the first Joint Powers Authority for housing acquisition was formed in 2019, Joint Powers Authorities have acquired approximately 13,800 units for middle-income households.

In practice, a public agency partners with a Joint Powers Authority to issue tax-exempt bonds or use its property tax exemption for an acquisition or to finance new construction of affordable housing. After a certain period, the public agency has the option to purchase the property from the Joint Powers Authority.

Two of the most active JPAs are described as follows.

2.2.1 California Community Housing Agency (CalCHA)

2.2.1.1 Background

California Community Housing Agency is a Joint Powers Authority established and authorized by the State of California in 2019 to issue tax-exempt bonds in local jurisdictions for the acquisition and development of affordable housing. While funding may be used for both acquisition and development, activities lean toward the acquisition of existing housing to transition it into affordable housing. The property acquisition process of the California Community Housing Agency operates as follows:

1. A real estate firm identifies a potential middle-income housing project within a participating jurisdiction.
2. California Community Housing Agency issues governmental revenue bonds to fund the property purchase.
3. These properties are then designated with rent restrictions tailored for households earning between 60% and 120% of the area's median income, segmented into low- and moderate-income brackets.
4. These properties are granted a property tax exemption, delivering financial advantages to the associated agency members.

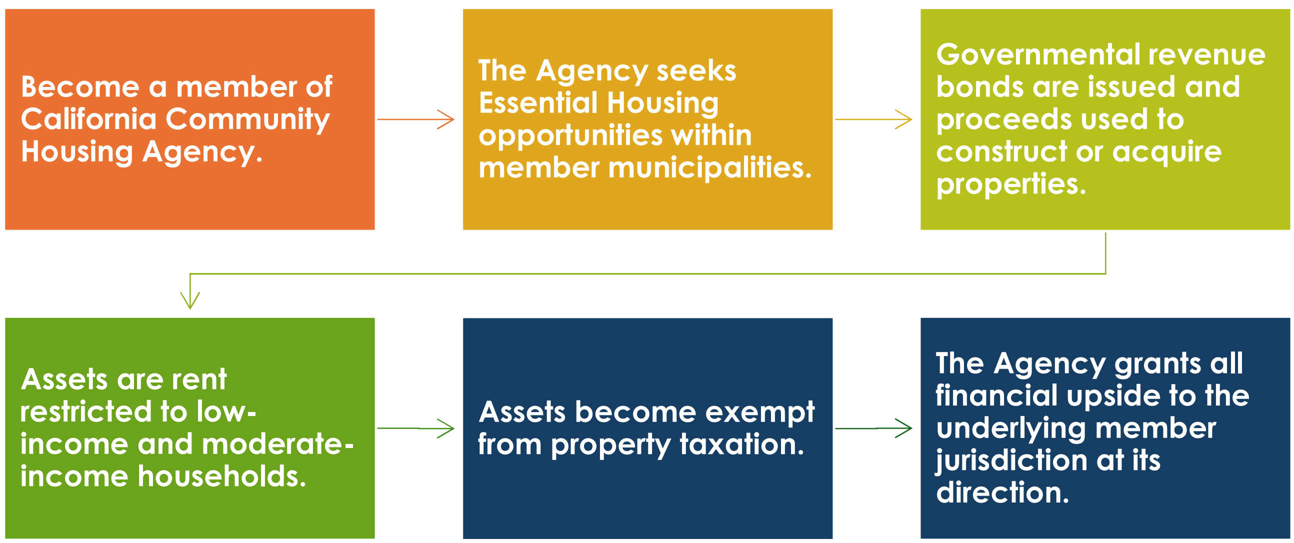
California Community Housing Agency is the first public agency in California that focuses solely on the production, preservation, and protection of middle-income housing. California Community Housing Agency's Essential Housing Program financing model has already created more than 4,000 affordable rent-restricted rental units across the state. Its success has also led to the creation of additional state agency programs that aim to use similar models to further address California's middle-income housing needs, including the California Statewide Communities Development Authority Workfroce Houaing Program and California Municipal Finance Authority's Workforce Housing Programs.

California Community Housing Agency issues governmental purpose bonds for financing projects that provide, preserve, and support affordable local housing for low-income, moderate-income, and middle-income families and individuals. Jurisdictions that partner with the agency can opt to purchase its properties during the second half of the 30-year bond period that finances these acquisitions. Starting in year 16 of the bonds, the jurisdiction can acquire the property by taking over its outstanding debt, which can be paid off with rental income.

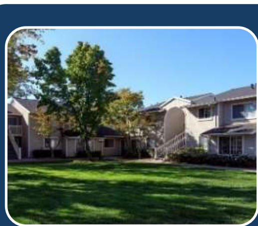
A local example of partnership with the California Community Housing Agency is demonstrated by the Housing Authority of the City of Santa Barbara's membership in the California Community Housing Agency. This partnership provides a great resource in its ability to develop and preserve affordable housing in the region. Through the California Community Housing Agency, the Housing Authority of the City of Santa Barbara can leverage the issuance of tax-exempt bonds to finance new affordable housing projects for low- to middle-income families without imposing financial risks on the city or its taxpayers. This partnership allows the Housing Authority to secure lower-cost financing for developments, helping to bridge funding gaps and accelerate the construction of much-needed housing units.

2.2.1.2 *California Community Housing Agency (CalCHA)Essential Housing Program Requirements*

Participation in California Community Housing Agency's Essential Housing Program includes the following process:

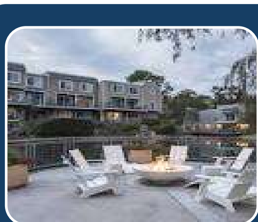


Examples of recent projects under the California Community Housing Agency (CalCHA) program include:



The Arbors (Livermore, CA)

- 162-unit rental property
- $49 million in bonds
- In August 2020, California Community Housing Agency partnerd with Catalyst Housing Group to acquire and transition the market-rate property to a rent-restricted community serving middle-income households earning no more than 120% of Alameda County's median income.



Sernetiy at Larkspur (Larkspur, CA)

- 342-unit rental property
- $115 million in bonds
- In February 2020, California Community Housing Agency partnerd with Catalyst Housing Group to acquire and transition the market-rate property to a rent-restricted community serving middle-income households earning 60% - 120% of Marin County's median income.

2020 Kitredge Street (Berkeley, CA)

- 176-unit rental property
- $127 million in bonds
- In October 2021, California Community Housing Agency partnered with HCF Development, LLC to acquire and tranistion the market-rate property to a rent-restricted community serving middle-income households earning 60% - 120% of Alameda County's median income.

2.2.1.3 Recommendations

With state and federal funding sources often relegated to the development of lower-income affordable housing, California Community Housing Agency can serve as a resource to acquire existing buildings to transition to middle-income affordable housing, which is a more time- and cost-effective way of increasing the affordable and workforce housing stock. If the County were interested in exploring utilization of California Community Housing Agency in increasing workforce Housing stock, initial steps would include:

- Identify Potential Market Rate Properties suited for acquisition within the unincorporated County or those that operate on County-owned land.
- Counsel with local developers and real estate firms to discuss interest in partnering on workforce housing projects. Present the incentives of utilizing this program, properties that would be suitable for use, and the financing model involved. This could be achieved via a half day summit in partnership with community organizations who have prior experience and/or existing relationships with developers and real estate firms. Alternatively, the County could incorporate discussion of the subject matter at annual meetings already intended based on housing element program actions.

- To take advantage of the program, the County would need to adopt a resolution to join the Joint Powers Authority. Prior to taking this step, the County should initiate discussion with the California Community Housing Agency regarding interest in the program and discuss with legal counsel to understand the statutory and regulatory framework that would govern the partnership with California Community Housing Agency.

It is recommended that the County take action when interest rates are relatively low, ideally at or below 4%. This is because lower interest rates reduce the borrowing costs associated with the tax-exempt bonds used to finance the acquisition and development of affordable housing projects. Lower interest rates lead to lower debt servicing costs, making a project more financially viable, as developers can allocate fewer resources to repaying debt and more toward maintaining affordability. If rates rise above 4%, the higher cost of borrowing could strain project finances, making it harder to keep housing affordable, particularly for middle-income workers, which is the target demographic of the CalCHA program.

2.2.2 The California Statewide Communities Development Authority (CSCDA) Community Improvement Authority (CSCDA CIA)

2.2.2.1 Background

California Statewide Communities Development Authority (CSCDA) Community Improvement Authority (CIA) is a Joint Powers Authority that acquires capital projects for public benefit by issuing tax-exempt governmental purpose bonds.

One of the programs offered by the California Statewide Communities Development Authority Community Improvement Authority is the Workforce Housing Program, which involves the issuance of government bonds to purchase market-rate apartment buildings to convert all units to rent-restricted, moderate/middle-income households, typically those earning between 80% to 120% of the Area Median Income (AMI).

Since its inception, the California Statewide Communities Development Authority Community Improvement Authority has acquired and converted more than 7,700 units for low and middle-income renters. The California Statewide Communities Development Authority Community Improvement Authority presents a unique opportunity for a public agency to enter into a Joint Powers Authority to acquire existing multi-family assets to convert into workforce housing.

However, this Joint Powers Authority model has significant issues that were identified after several projects were acquired across the state, including:

- Higher Interest Rates Diminishing Financial Feasibility
- Inflated Acquisition Prices
- Risk from the bond transactions
- Informal affordability restrictions
- Feasibility challenges for new construction
- Possessory Interest Tax Bills passed onto tenants

These issues can be mitigated by engaging with the County's legal counsel early on in consideration of joining a Joint Powers Authority to identify measures the County can take to ensure agreement with all standards and regulations provided in the partnership agreement, including those that mitigate risk and ensure long-term affordability, and to ensure no additional costs are passed onto tenants due post project completion.

2.2.2.2 California Statewide Communities Development Authority (CSCDA) Community Improvement Authority (CIA)Workforce Housing Program Requirements

Participation in the Workforce Housing Program includes the following process:

1. The jurisdiction must become a member of the Authority and obtain the required approvals.
2. Finalize standard indemnification regarding financing and the project.
3. California Statewide Communities Development Authority Community Improvement Authority reviews financing documents for consistency with policies and forms.
4. California Statewide Communities Development Authority Community Improvement Authority reviews the financing and associated public benefits.
5. Finalize offering materials and disclousre requirements.
6. California Statewide Communities Development Authority Community Improvement Authority confirms no financing is provided for gaming facilities.

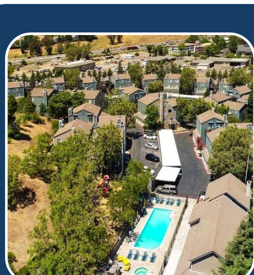
Examples of recent projects under the California Statewide Communities Development Authority Community Improvement Authority program include:

Theo Apartments (Pasadena, CA)

- 105-unit rental property
- $81 million in bonds
- In November 2021, California Statewide Communities Development Authority Community Improvement Authority partnerd with the City of Pasadena and Waterfrod Property Co. on the acquisition of the property, restricting rents to <120% of the Area Median Income.

Vineyards Gardens Apartments (Santa Rosa, CA)

- 180-unit rental property
- $89 million in bonds
- In October 2021, California Statewide Communities Development Authority Community Improvement Authority partnerd with the City of Santa Rosa and Opportunity Housing Group on the acquisition of the property, restricting rents to <120% of the Area Median Income.



Waterscape Apartments (Fairfield, CA)

- 180-unit rental property
- $84 million in bonds
- In September 2021, California Statewide Communities Development Authority Community Improvement Authority partnerd witht he City of Fairfield and Opportunity Housing Group on the acquisition of the property, restricting rents to <120% of the Area Median Income.

2.2.2.3 Recommendations

Similar to the discussion of California Community Housing Agency's Essential Housing Program, the Workforce Housing Program offered through California Statewide Communities Development Authority Community Improvement Authority can serve as a cost-effective resource for the County to increase the stock of affordable housing for the workforce. If the County were interested in exploring the utilization of California Statewide Communities Development Authority Community Improvement Authority in increasing workforce Housing stock, initial steps would include:

- Identify Potential Market Rate Properties suited for acquisition within the unincorporated County or those that operate on County-owned land.

- Counsel with local developers and real estate firms to discuss interest in partnering on workforce housing projects. Present the incentives for utilizing this program, properties that would be suitable for use, and the financing model involved.
- To take advantage of the program, the County would need to adopt a resolution to join the Joint Powers Authority. Prior to taking this step, the County should initiate discussions with the California Statewide Communities Development Authority Community Improvement Authority regarding interest in the program and discuss with legal counsel the statutory and regulatory framework that would govern the partnership with California Statewide Communities Development Authority Community Improvement Authority.

It is recommended the County wait to take action until interest rates have come down.

2.3 California Housing Finance Agency Mixed-Income Program (Public, New Construction)

2.3.1 Background

The California Housing Finance Agency Mixed-Income Program offers long-term loans for new construction multifamily affordable rental housing projects throughout California. All housing projects utilizing the Mixed Income Program must restrict units at income levels between 30% and 120% of the Area Median Income.

2.3.2 Requirements

The Mixed-Income Program Loan must be combined with the California Housing Finance Agency's Conduit Bond Program and their tax-exempt permanent loan program. Additionally, all projects in the Mixed-Income Program must be structured to utilize Low-Income Housing Tax Credits.

The amount of the Mixed-Income Program loan amount for each project will be based on project need and will be limited to *the lesser* of the following:

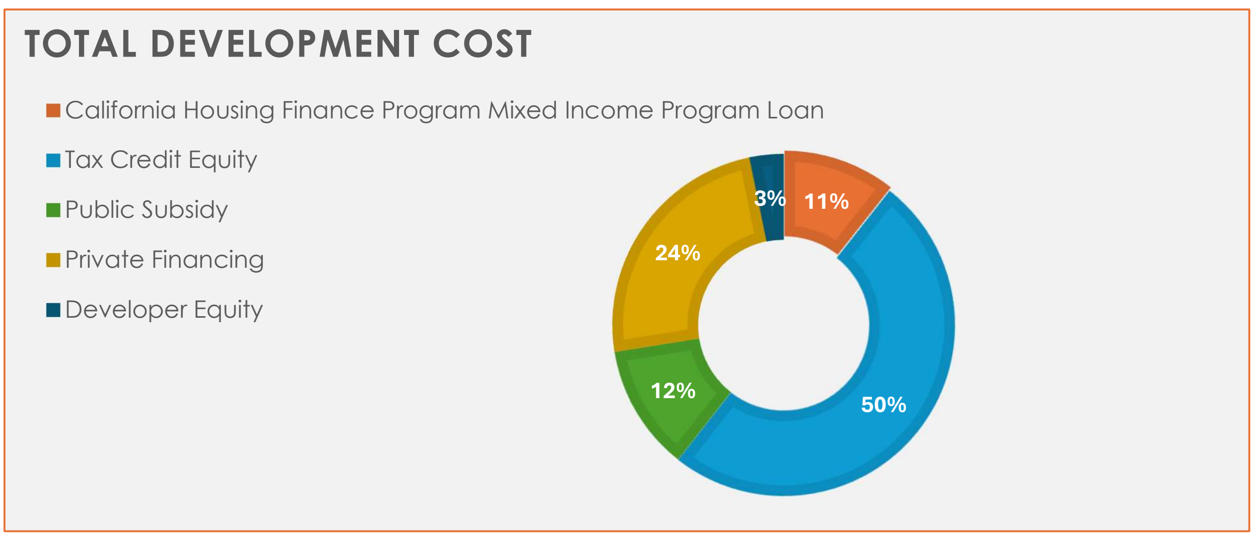
- $4 Million
- $50,000 per Mixed-Income Program regulated unit. Projects within the highest or highest resource areas per the California Tax Credit Allocation Committee and California Department of Housing and Community Development Area Map shall be eligible for an additional per Mixed-Income Program regulated unit. The Majority of Santa Barbara County is located within the boundaries of the Highest resource areas.
- 50% of the permanent loan amount

2.3.2.1 *Case Study (The Helm - San Diego Rental Project)*

The Helm is a new construction project located in Downtown San Diego developed by Affirmed Housing in 2023. The Helm is a 78-unit mixed-income community with 41 units set at 80% Area Median Income, 4 units set at 60%, 32 units set at 30% Area Median Income, and 1 manager's unit.

This project was financed utilizing multiple funding sources - tax-exempt bonds, 4% low-income housing tax credits, a permanent loan, local HOME funds, and a Mixed-Income Program loan.

The total development cost for The Helm was over $35 million, with the California Housing Finance Agency Mixed Income Program loan accounting for approximately 10% of the total cost. The Mixed-Income Program Loan is not meant to be the primary source of funding for a project. Instead, it is an important part of a project's financing designed to simplify funding and bridge the gap in financing for new construction projects that have housing units available for individuals at income levels between 30% and 120% of the Area Median Income. The sources of funds for The Helm are outlined below:



The project received project-based Section 8 vouchers provided by the San Diego Housing Commission for 32 units. The breakdown of units with affordability restrictions by each agency involved in the project:

Table 2. Unit Breakdown by Agency and Affordability Level

Units and Area Median income Rents Restricted by Each Agency						
Regulatory Source	California Housing Finance Agency (Bond)	San Diego Housing Commission (HOME Loan)	California Housing Finance Agency (Loan)	Centre City Develop-ment	Low-Income Housing Tax Credit	San Diego Housing Commission (Section 8 Vouchers)
30% AMI	--	--	--	--	32	32
50% AMI	8	20	8	--	--	--
60% AMI	24	--	--	--	4	--
80% AMI	--	--	8	77	41	--
120 % AMI	--	--	61	--	--	--
Managers Unit	1	1	1	1	1	1
Total Regulated Units	32	20	77	77	77	32

Affordable housing subsidies are very competitive and must demonstrate that other funding sources have been secured. For example, the Helm was able to effectively leverage support from the San Diego Housing Commission via a HOME loan and Section 8 project-based vouchers to subsidize units set at 30% of Area Median Income. This made the project competitive in its application for 4% tax credit financing, which resulted in an equity award representing 50% of the project's total sources. With the support of the California Housing Finance Agency Mixed Income Program loan, the project was able to set aside the majority of rents for the workforce population up to 80% AMI.

2.3.3 Recommendations

The California Housing Finance Agency Mixed Income Program could be highly beneficial for projects in Santa Barbara that aim to develop housing for households earning between 30% to 120% of the Area Median Income. A project could make use of a California Housing Finance Agency Mixed Income Program loan to complement Low-Income Housing Tax Credits and reduce the permanent debt on the project. Recommendations to pursue this funding mechanism include:

- Engage the developer community to identify potential for partnership on a new housing multifamily housing project. This would include ensuring site availability for potential projects (looking first to Tier 1 development-ready sites as identified in the Task 7 memorandum, County Housing Opportunity Sites) and ensuring developers understand program requirements as there can be challenges for developers when utilizing this program in determining how to adhere to the rent restrictions

outlined in the California Housing Finance Agency Mixed Income Program guidelines and which income level to target.
- Address ability to meet qualifications prior to applying. Main qualification areas include eligibility, funding use, financing structure, project readiness, evidence of cost containment, and evidence of subsidy efficiency.
- Assist developers as needed with the California Housing Finance Agency Mixed Income Program application package.

2.4 National Equity Fund Workforce Housing Fund *(Private, New Construction & Acquisition)*

2.4.1 Background

The National Equity Fund is a non-profit real estate investment firm dedicated to investing in real estate to create and maintain affordable housing options throughout the United States. National Equity Fund's Workforce Housing Fund is an investment fund focused on investing in the development of new construction rental housing projects for households with moderate incomes (between 60% to 120% of Area Median Income).

2.4.2 Requirements

Investment criteria for this program includes:

- Seeking partners committed to ensuring long-term affordability.
- Targeting funds to supply-constrained markets.
- Identifying properties with access to job centers and transportation.
- Prioritizing amenities such as healthcare, nutrition, education, and childcare.

Project funding can include the following:

- Equity Financing – When an investor contributes capital to the project in exchange for an ownership stake and share in profits generated by the project.
- First mortgage debt – A primary loan on a real estate project that has first priority for repayment or any claims on the property in the event of a default.
- Mezzanine financing – A financing tool intended to provide capital to bridge the gap on costs for a development. Typically has shorter terms, higher interest, and
- Each form of financing has its unique characteristics and considerations, and the choice of financing structure depends on the specific needs and circumstances of the project.

2.4.3 Recommendations

The National Equity Fund's Workforce Housing Fund offers flexible support for developing workforce housing, including options for debt or equity disbursement, making it a financing tool the County might find beneficial in the effort to increase affordable and workforce housing. It is recommended that Santa Barbara County take the following steps to pursue use of this funding mechanism:

- Initiate a discussion with the National Equity Fund to address the need for new workforce housing in the County, ways in which the county can support new developments, and the potential use of County-owned land for this purpose.
- Once interest in the region is confirmed, the County can issue a request for proposal for land and work with the National Equity Fund to facilitate the financing.

2.5 4% Low-Income Housing Tax Credits (New Construction and Rehabilitation)

2.5.1 Background

The 4% Low-Income Housing Tax Credit program is a federal subsidy that helps finance the building and renovation of affordable rental housing available to households earning up to 80% of Area Median Income. Investors receive a dollar-for-dollar reduction in their federal tax liability in return for funding affordable housing. This program provides a 30% subsidy for the costs of new construction that uses additional subsidies, or for the acquisition of existing buildings. Projects using Low Income Housing tax credits must comply with the program affordability requirements for 55 years.

The 4% Low-Income Housing Tax Credits is currently utilized in Santa Barbara County with a recent example being The Residences at Depot Street in the City of Santa Maria, developed by the Housing Authority of the County of Santa Barbara. The new construction project of 80 units received $1,473,833 in tax credits. The project serves households earning up to 60% of Area Median Income. As of August 2024, the second round of 4% Credit Applications included a number of projects submitted in Santa Barbara County. These projects include:

- Orchard Terrace – 99 unit new construction for low income tenants in the City of Santa Maria, being developed by The Pacific Companies.
- San Marcos Ranch – 236 unit new construction for low income tenants in the City of Santa Barbara, being developed by the Pacific Companies and the Housing Authority of the County of Santa Barbara.
- Heritage Ridge Special Needs Housing – 63 unit new construction for low income tenants in the City of Goleta, being developed by the Housing Authority of the County of Santa Barbara.
- Heritage Ridge Senior Housing - 41 unit new construction for low income tenants in the City of Goleta, being developed by Housing Authority of the County of Santa Barbara.

The utilization of 4% Low-Income Housing Tax Credits helps increase financing for affordable housing, provide more availability and flexibility than that of 9% Low-Income Housing Tax Credits, leverage additional funding sources, and helps meet the critical need for the development and preservation of affordable housing for low- to moderate-income families.

2.5.2 Requirements

In California, the California Tax Credit Allocation Committee administers the 4% Low-Income Housing Tax Credit program. California Tax Credit Allocation Committee reviews tax credit applications submitted by developers bi-annually and allocates the credits. Once an applicant receives a tax credit allocation, the developer needs to quickly close on all funding sources committed to the project. In a typical low-income housing tax credit transaction, a developer will obtain a conventional loan from a private lender, as well as gap financing from a public source. Additionally, they need to secure investor equity from private investors in exchange for tax credits. From then, the developer will build and lease the project to tenants. To ensure compliance over the 15-year period, developers must certify the property's rents on an annual basis.

2.5.3 Recommendations

The 4% Low-Income Housing Tax Credit benefits projects in Santa Barbara County given it's sourced by California's largest affordable housing resource and lower barriers to access. Unlike 9% tax credits, these 4% credits do not reduce a state's annual Low-Income Housing Tax Credit (LIHTC) allocation authority. The 4% credit is often called the "non-competitive credit" or "automatic credit" since developers automatically receive it without needing to compete for it, provided that tax-exempt bond financing funds at least 50% of the development.

While the 4% credits themselves might not be competitive, securing the tax-exempt private activity bonds necessary to qualify for these credits can be competitive. These bonds are limited by a state cap and are allocated by agencies such as the California Debt Limit Allocation Committee (CDLAC). In this way, the competitiveness arises from the availability and allocation of bond cap, rather than the tax credits directly. Santa Barbara County projects can continue making use of this funding source by combining it with other funding sources aimed at higher-end workforce housing and structuring a project for Low-Income Housing Tax Credits to finance the units serving lower income levels. Recommendations for moving forward with use of this resource include:

- Conduct an annual targeted outreach meeting with affordable housing developers active in the region to discuss feasible ways that the County can encourage projects and identify incentives to target higher income levels (higher proportion of Low Income at 80% of Area Median Income) in projects and identify County-owned property for use.
- Request competitive bids from developers for a project that utilizes this funding source. As part of the bid process, the County should also require developers to demonstrate prior award and utilization of Low-Income Housing Tax Credit funding. The County will want to ensure interested developers are familiar with the Low-Income Housing Tax Credit funding process and have successfully navigated the process prior.

3 FINANCING STRATEGIES

Workforce housing is challenging to finance due to a limited amount of funding sources targeted to this population. Consequently, developers lack motivation to keep rents affordable for workforce housing, as it reduces their profit margins on projects that cost the same to build as market-rate apartments. Therefore, many developers have deployed atypical and innovative financing strategies for their projects. Many banks and institutional investors have worked with developers to launch flexible financing tools to build housing for middle-income households.

3.1 Certificate of Participation (Public, New Construction)

3.1.1 Background

Certificate of Participation allows investors to share in the revenue of a project. Selling certificates of participation is an option for developers who aim to avoid federal low-income requirements to build workforce housing. For workforce housing developments, ongoing revenue comes from rent collected once the project is complete.

3.1.2 Requirements

This lease financing agreement is used by municipalities or local governments for capital projects. A Certificate of Participation is a tax-exempt financing agreement sold to investors and managed by a trustee. The trustee oversees the distribution of payments to the investors.

3.1.3 Case Study – School District Staff Rental Housing (Daly City)

In Daly City, south of San Francisco, the Jefferson Union High School District developed 705 Serramonte, a 122-unit workforce housing apartment project reserved for school district staff. More specifically, the project set aside 60% of the units for certificated staff (teachers, counselors, and school psychologists) and 40% of units for qualified staff (bus drivers, custodians, food service workers, and office staff). The project features 1-, 2-, and 3-bedroom units alongside a park for residents and various amenities.

The project resulted from challenges in retaining and recruiting staff due to the high cost of living in the area. Jefferson Union High School District was experiencing a 25% staff turnover rate at the time the project was planned, which has now decreased to 0% with Board member Andy Lie stating the district is beginning the new 2024 school year with zero vacancies.

3.1.4 Recommendations

Certificates of Participation have been proven to be most advantageous to school districts building housing for their employees. To utilize this resource, it is recommended that:

- The County should engage school districts where the County owns development-ready sites (Tier 1) to leverage for a housing project developed by those school districts. School districts include:
    - Santa Barbara County Education Office
    - Santa Barbara Unified Secondary School District
    - Santa Maria Joint Unified High School District
    - Santa Maria-Bonita School District

  In addition to the school districts where the County has development-ready sites, the County should also look into engaging with other school districts within the County including:
    - Lompoc Unified School District
    - Goleta Union School District
    - Montecito Union School District
    - Cold Spring School District
    - Hope School District
    - Santa Ynez Valley Union High School District
    - Orcutt Union School District
    - Los Olivos School District
    - Carpinteria Unified School District
    - Cuyama Joint Unified School District

3.2 Non Low-Income Tax Credit Forward Financing (Private, New Construction or Substantial Rehabilitation)

3.2.1 Background

Non-Low Income Tax Credit Forward Financing is a permanent loan with an interest rate guarantee for developers of affordable and workforce housing developed without Low-Income Housing Tax Credits. This financing tool allows developers to obtain better construction lending terms for their projects, which lowers the cost of these projects and improves the financial feasibility. Additionally, this commitment allows developers to produce affordable housing at a faster rate than projects that utilize traditional low-income housing tax credits and other public subsidies since they don’t have to adhere to the lengthy multi-year application process which provides further controls on costs at risk of rising during the application process.

3.2.2 Requirements

Eligible projects include new construction and substantially rehabilitated mid-rise, high-rise, and build-to-rent communities. This financing is a great tool for mixed-income communities where a portion of rents are required to be set aside for middle-income households. Both for-profit and non-profit organizations are eligible to use Non-Low Income Housing Tax Credit Forward Financing.

3.2.3 Case Study – Workforce Rental Project (Breckenridge, Colorado)

Vista Verde II, a 172-unit apartment project to serve residents earning between 80% and 120% of AMI is under construction to meet the housing needs of the resort town. Like many communities, Breckenridge faces a significant shortage of affordable and workforce housing due to land constraints and high construction costs.

The project developer is utilizing Non-Low Income Housing Tax Credit Forward Financing for the $76 million Alta Verde development. Additional, project sources include bonds issued by the Breckenridge Housing Authority, private equity, and a loan from The Middle-Income Access Program of the Colorado Housing and Finance Authority.

3.2.4 Recommendations

Non-Low Income Housing Tax Credit Forward Financing is one of the most flexible financing tools for developing moderate-income housing. Only a few entities offer the financing product, namely, Fannie Mae and Freddie Mac. Since the loan product is new it is only offered to developers with relevant projects, and experience in the market they are building in. Recommendations to utilize Non-Low Income Housing Tax Credit Forward Financing include:

- Santa Barbara County should engage with banks and investment entities offering Non-Low Income Housing Tax Credit Forward Financing about prioritizing a deal in the County. The County should begin with learning more about the resource through Freddie Mac.
- The County should hold a focused developer stakeholder meeting to discuss, and also present, County-owned sites (Tier 1 sites that are development-ready) to obtain input from developers on what would be needed to do a project. A listing of these sites is provided in the Task 7 memorandum.

3.3 Grant Funding

3.3.1 Background

Grants have become a key tool in aiding the development of lower-income and workforce housing, providing financial assistance to help bridge the funding gap that often exists for such projects. Grant funding helps to enable the construction and renovation of affordable housing units, helping to increase access to safe and affordable living spaces for low-income families and the workforce. By alleviating some of the financial burdens associated with development, grants promote the growth of inclusive communities and support economic stability. **Table 3. Grant Opportunities** identifies grant opportunities offered through California and Federal organizations. While the amount of funding is not provided as each program's funding availability is determined by several factors, the administering entity, purpose, and key details of these grant programs are provided in the table.

3.3.2 Requirements

While each grant opportunity differs in specific requirements, general requirements across most opportunities include:

- **Eligibility Criteria:** Most grants have specific eligibility criteria, such as the size of the community, the economic need, or the type of housing project (e.g., new construction, rehabilitation).
- **Community Needs Assessment:** Applications often require a detailed assessment of the community's housing needs. This includes data on population demographics, income levels, housing stock, and the specific needs of underserved or vulnerable populations.
- **Project Feasibility and Planning:** Cities and counties need to demonstrate their proposed projects are feasible, meaning they have a clear and executable project plan, budget estimates, timelines, and expected outcomes.
- **Matching Funds or Cost Sharing:** Many affordable housing grants require some level of matching funds from local sources, which shows local commitment and increases the sustainability of the project.
- **Regulatory and Zoning Compliance:** Applicants must demonstrate compliance with all relevant local, state, and federal regulations, including zoning laws and environmental regulations.
- **Sustainability and Long-Term Viability:** Grantors often look for projects that are sustainable over the long term, requiring applicants to address how the housing will remain affordable and in good condition.
- **Previous Experience:** Demonstrating past success in managing similar projects can be beneficial. This shows potential funders that the city or county can effectively handle and complete housing projects.

There are scenarios in which eligibility for a grant is reliant upon having specific designations. For example: in order to take advantage of the Prohousing Incentive Program, discussed in more detail in Table 3, applicants must have a Prohousing designation. The typical application process to receive designation includes:

Table 3. Grant Opportunities

Program	Administered By	Purpose	Key Details
Federal Grants			
Community Development Block Grant	U.S. Department of Housing and Urban Development	Provides communities with resources to address a wide range of unique community development needs, including affordable housing.	Funds can be used for housing rehabilitation, land acquisition, and infrastructure improvements.
HOME Investment Partnerships Program		Provides formula grants to states and localities to fund a wide range of activities, including building, buying, and/or rehabilitating affordable housing.	Funds can be used for various housing activities, such as homebuyer assistance, rental housing development, and tenant-based rental assistance. It should be noted the County currently utilizes HOME funding.
State Grants			
Affordable Housing and Sustainable Communities Program	Strategic Growth Council and California Department of Housing and Community Development	Supports projects that reduce greenhouse gas emissions by increasing accessibility to affordable housing, employment centers, and key destinations.	Funds are available for affordable housing development, transportation infrastructure, and related programs that support sustainable communities. It should be noted that there may be buy-in needed from other cities and additional changes made to the program to help with scoring.
CalHome Program	California Department of Housing and Community Development	Provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation assistance, homebuyer counseling and technical assistance activities.	Funds are available for Predevelopment, site development, and site acquisition for development projects. Rehabilitation and acquisition and rehabilitation of site-built housing, and rehabilitation, repair, and replacement of manufactured homes, downpayment assistance, mortgage financing, homebuyer counseling, and technical assistance for self-help.
Excess Sites Local Government Matching Grants Program		Provides grant funding to support and accelerate selected affordable housing projects on excess state sites. Different from surplus land, excess sites refer specifically to state-owned land that is no longer needed for state purposes.	Eligible activities must accelerate housing production and align with state planning priorities and Eligible applicants are limited to selected developers under Executive Order N-06-19 and local governments, i.e., cities, counties, and public housing authorities.

Program	Administered By	Purpose	Key Details
Local Housing Trust Fund (Program)	California Department of Housing and Community Development	Matching grant funds to local and regional housing trust funds dedicated to the creation, rehabilitation, or preservation of affordable housing, transitional housing, and emergency shelters.	Matching grants (dollar for dollar) to local housing trust funds that are funded on an ongoing basis from both private and public contributions or public sources. Local funding sources may not otherwise be restricted in use under federal or state law or rules for use in housing programs. Loans for multifamily rental housing projects require tenant income and rent restrictions imposed through a regulatory agreement for 55 years.
Multifamily Housing Program		Provides deferred payment loans for new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.	Prioritizes projects that serve special needs populations and include supportive services.
Permanent Local Housing Allocation		Provides funding for local governments to increase affordable housing development.	Funds can be used for predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing, and homeownership opportunities, among others. It should be noted the County currently receives and utilizes Permanent Local Housing Allocation funding.
Prohousing Incentive Program		Provides funds to assist local governments with Prohousing Designation to accelerate affordable housing production and conservation.	Eligible applicants are limited to jurisdictions with Prohousing Designation.
Workforce Housing Reward Program		Provides financial incentives to local governments for the issuance of building permits for housing affordable to very low- or low-income households.	Rewards local governments that approve the construction of new housing units for lower-income workers.

3.3.3 Case Study (Jardin de las Rosas – Santa Barbara, CA)

Jardin de las Rosas is a multi-family housing development in Santa Barbara County designed to provide affordable housing for lower-income residents. Completed in 2018, this project includes 40 units, a community center, and on-site supportive services. The project was funded in part by the California Affordable Housing and Sustainable Communities Program, which contributed $3 million towards its development. Additional funding came from local government sources and private investments including People's Self Help Housing Corporation, Goleta Valley Housing Committee (a limited organization under People's Self Help Housing Corporation), and J.P. Morgan Chase.

Jardin de las Rosas met the California Affordable Housing and Sustainable Communities Program requirements by integrating affordable housing units with sustainable infrastructure, including improved pedestrian pathways and proximity to public transit. The project also collaborated with local social services to offer on-site support for residents, ensuring a comprehensive approach to housing and community development.

3.3.4 Recommendations

Grants can help serve to provide gap financing for the County in efforts to increase the production and stock of affordable workforce housing within the County. As such, it is recommended that the County take the next actions:

- Continue in the application process to receive a Prohousing Designation to access funding opportunities under the Prohousing Incentive Program. The designation would also make the County more competitive for grant funding for activities including:
  - Planning or implementation of the predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, or rental housing that is affordable to Extremely Low, Very Low, Low, and Moderate Income households, including necessary operating subsidies; and
  - Affordable rental and ownership housing for households earning up to 120 % of Area Median Income, or 150 % of Area Median Income in high-cost areas, among other eligible uses.
- The County should assess the eligibility for state and federal grants on an annual basis and continue to apply for eligible grant opportunities.

4 DISCLAIMER

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

COUNTY of
SANTA BARBARA

Preservation and Retention of Affordable Housing Stock

Task 6 Memorandum

Harris & Associates

Table of Contents

EXECUTIVE SUMMARY

Housing affordability is currently at historic lows throughout the State of California. A lack of housing that is affordable to residents and the workforce impacts the ability of the region to attract and retain employees which can result in the relocation of existing business to other areas and a diminished ability to attract new businesses to the community.

Federal and state funding is insufficient for the preservation of affordable housing as well as the production of new affordable housing. Both income or deed-restricted and naturally occurring affordable housing are vulnerable to transitioning to market-rate housing.

Through a review of the County's 6^{th} cycle Housing Element Update, further data analysis and focused stakeholder outreach, several preservation strategies and considerations (based in part by case study Workforce housing projects and existing programs) have been identified, as outlined in **Table 1. Executive Summary Findings**.

The table has been color coded to classify each category according to the following:

- **Green shading** representing those strategies and actions that would have the greatest impact (i.e., will create workforce units in the near term) to preserve/create units with a lower investment of staff time and financial resources. ***These are identified as priority or "Tier 1" actions that should be undertaken as soon as possible.***
- **Amber/Yellow shading** represent strategies and actions that have less impact in preserving/creating affordable housing due to (1) requiring General Fund revenues to be allocated (which may not be financially feasible for the County) (2) are dependent on public support to raise revenues time to complete, or (3) will be County policies/actions to encourage workforce housing but lack true impact due to a lack of funding and adequate resources to implement. ***These are identified as "Tier 2" actions due to these challenges.***

Additionally, case studies are provided in the sections providing more detail on each preservation strategy identified in Table 1. It should be noted that while no one case study is completely replicable due to each project's unique factors, portions or pieces of each case study project's characteristics can be replicated in the County today.

Table 1 – Executive Summary Findings

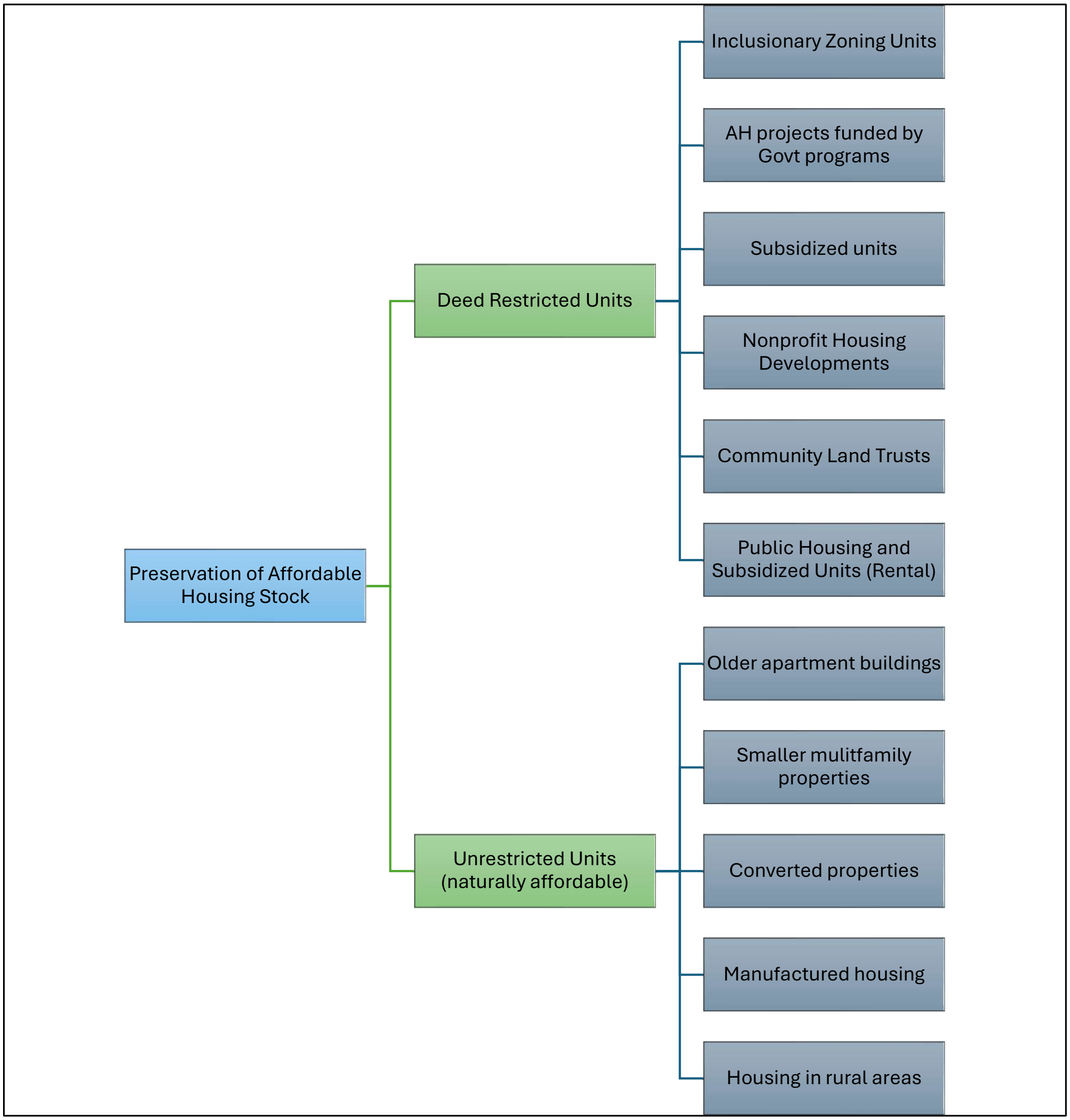
<table>
<tr><th>Preservation Strategies</th><th>Proposals</th><th>Key Considerations</th></tr>
<tr><td>Housing Element Program Implementation (Section 2)</td><td>Where possible, expedite implementation of 6th Cycle Housing Element programs and actions. See page 11 of Section 2 for a detailed table with these specific programs.</td><td>Expediting programs helps market rate housing development occur more quickly, increasing the number of units. In the Lompoc and Santa Maria Valley areas, “Workforce” (per the Inclusionary Housing Ordinance) = market rate for both rental and ownership in these Housing Market Areas.</td></tr>
<tr><td rowspan="2">Inclusionary Housing Ordinance (Section 3)</td><td>Provide flexibility to developers to provide offsite units within the same Housing Market Area (e.g., Santa Monica, City of San Diego, and West Sacramento).</td><td>Allow flexibility and encourage more units built vs. paying the In-Lieu Fee but restrict this to within the same Housing Market Area as the proposed project.</td></tr>
<tr><td>Amend the Inclusionary Housing Ordinance to:
Establish Inclusionary requirements for rental and mixed-use projects; and
Provide different set-asides for rental vs. ownership projects due to changes in state density bonus laws (enacted AFTER the County’s Ordinance that encourages developers to provide affordable units as part of projects vs. paying a fee), market conditions, and lending regulations (other significant changes since the 2004 Ordinance).</td><td>Require <u>rental</u> housing projects to contribute to affordable housing. More rental projects are likely due to a lack of affordability of for sale housing and the recent rezoning effort to increase densities for Housing Element sites. Requiring rental projects to adhere to inclusionary requirements will result in many more inclusionary units.
Remove the Inclusionary requirement for Very Low and Low Income units for <u>ownership</u> housing projects for the following reasons:
The initial financial feasibility analysis on page 22 of this memo indicates that Very Low and Low Income inclusionary requirements render ownership projects financially infeasible, which will discourage ownership housing projects overall and will result in less inclusionary units created. Current market conditions such as tighter lending requirements, higher interest rates, increased labor and construction costs, and increased insurance costs present significant challenges to inclusionary ownership units below Moderate Income households (up to 120% of Area Median Income).</td></tr>
</table>

Preservation Strategies	Proposals	Key Considerations
Inclusionary Housing ordinance (Section 3)		○ Redevelopment dissolution in 2011 removed the ability of local governments to raise revenues for affordable housing absent voter-approved bonds. • **Change the title of "Workforce" income category in the Ordinance to "Missing Middle."**
	Update In Lieu Fees with a methodology to reflect: • Current market conditions; and • Financial "gap" between the cost to build and revenue from a unit (sales price or rent) for Very Low, Low, Moderate and Workforce (including "Missing Middle" which represents 160% Area Median Income for ownership).	Dedicate fees collected on Workforce set aside specifically fund Workforce housing. For rental projects, require Very Low and Low units as part of a project and allow In Lieu Fees only if a developer can demonstrate that building these units is infeasible (via a proforma analysis submitted to, and verified by, the County).
	Update feasibility study every 4 years.	Conduct a feasibility study for existing Inclusionary requirements as market factors change in line with mid-cycle Housing Element Update progress to ensure fee calculations align with changing market conditions.
Funding (Section 4)	Proactively **engage the private equity and investor market** to encourage the private sector to: • Acquire and improve existing affordable units and extend affordability requirements. • Acquire and improve existing market rate units to record affordability covenants. • Develop new affordable housing projects.	In recent years, private equity has taken notice of the seemingly unlimited demand for affordable housing and views this property type as a solid investment. Examples include: • Langdon Park Capital affordable housing investment in a 138-unit rental property in the City of West Covina, California. • Community Preservation Partners affordable housing investment in a 38-unit rental property in the City of El Cajon, California. • Monarch Private Capital affordable housing investment in a 134-unit rental property in the City of Windsor, California. • Genesis LA affordable housing investment via multiple properties in Los Angeles County, California. The County can proactively reach out to these specific firms to understand the general investment criteria for private equity.

Preservation Strategies	Proposals	Key Considerations
	Transient Occupancy Tax **set aside**	Amend to dedicate % of revenue to affordable housing preservation activities.
	Affordable Housing Bonds (secured with additional sales or property tax)	Poll County residents to determine support for increases in sales and/or property tax with the increased revenue received dedicated towards affordable and Workforce housing development and preservation. If poll results are supportive, seek a Countywide proposition to generate affordable housing funding and preservation (ex. increase sales tax from 7.75% and dedicate the revenue generated from that increase to affordable housing activities).
County Ordinances (Section 5)	**Preservation ordinance** beyond the Preservation Notice Law	Consider a Community Option to Purchase Act program to help increase opportunities for qualified non-profits to acquire affordable housing properties. Details of this process are discussed further in Section 5.1 of this document.
	Incentivize market rate owners to apply **affordability restrictions**	Incentivize property owners to convert unrestricted properties, including Accessory Dwelling Units, to deed-restricted units.
	Implement a **Short-Term Rental Ordinance**	Per Housing Element Update <u>Program 19 – Short Term Rentals</u>, regulate Short Term Rentals in the Coastal Zone that balances the need for affordable recreational lodging and the preservation of housing for the local Workforce. Also consider: • Requiring annual registration. • Establish an annual cap on the number of units registered or unhosted nights per year. • Prohibit operation in residential areas of the Coastal Zone. • Require hosts to collect and remit hotel taxes. • Grandfather in existing unregistered short-term rentals and heavily prohibit new permits.
Neighborhood Revitalization Program (Section 6)	**Expand Habitat for Humanity's Neighborhood Revitalization Program** for Workforce housing, (alternatively expand efforts of existing programs like CommUnify that are specific to County residents) or establish a new program.	Meet with Habitat For Humanity to discuss expanding their reach and efforts and/or CommUnify efforts by incorporating additional initiatives, which may be more cost-effective.

1 AFFORDABLE HOUSING: DEED RESTRICTED AND UNRESTRICTED UNITS

Figure 1: Preservation of Affordable Housing Stock: Deed Restricted vs. Unrestricted Units



Affordable housing stock consists of both income or deed-restricted units and unrestricted units. Deed-restricted units are properties that have legal restrictions ensuring they remain affordable for a specified period, tied to specific income levels. These restrictions can include caps on resale prices and requirements that units be sold or rented only to qualifying Low- or Moderate-Income households. Unrestricted units, also known as naturally occurring affordable housing, are not subject to such legal constraints and may fluctuate in price according to the market, though they are often more affordable due to their age, condition, or location.

1.1 Deed Restricted Units

1.1.1 Background

Deed-restricted units are properties with recorded liens or covenants that enforce binding rent and/or resale limitations, typically based on guidelines from federal, state, or municipal programs that subsidize their development or operation. These units are crucial for providing housing affordable to Extremely Low, Very Low, and Low Income households. Regulations often dictate a specific affordability period, varying by program and subsidy type. The future expansion of deed-restricted housing in Santa Barbara County will hinge on both the production of new units and the preservation of existing ones with expiring deed restrictions. Examples of deed-restricted units include:

Photo: Jardin de las Rosas, Multi-Family Affordable Housing Development in Santa Barbara, CA. Image courtesy of RRM Design Group.

- **Inclusionary Zoning Units (Rental/Ownership)**: These are residential units within new developments that are required by local ordinances to be sold or rented at below-market rates to qualifying households.
- **Affordable Housing Projects Funded by Government Programs (Rental)**: Properties developed with public funding such as the Low-Income Housing Tax Credit (LIHTC) program are deed-restricted for a specified number of years, typically 45 years or more, and are targeted at Lower-Income households (Very Low and Low Income).
- **Nonprofit Housing Developments (Rental/Ownership)**: Ownership units developed by nonprofit organizations, like Habitat for Humanity, involve deed restrictions to ensure long-term affordability. These restrictions limit resale prices and require that new buyers meet certain income qualifications. Rental units developed by organizations like People's Self-Help typically involve income restrictions and long-term affordability covenants.

Photo: Storke Ranch Apartments Goleta. Image courtesy of People's Self-Help Housing.

- **Community Land Trusts (Rental/Ownership)**: Community Land Trusts acquire or transfer land (donated from public or private entities) and hold land to ensure it is used for affordable housing. Homes built on this land are developed as rental units for Very Low, Low or Moderate Income families as well as ownership units for Moderate-Income households. Deed restrictions do not have expiration dates and remain affordable in perpetuity and require tenants and owners to meet income qualifications.

- **Public Housing and Subsidized Units (Rental)**: Government-owned or subsidized housing often comes with deed restrictions to maintain affordability. These units can be part of public housing projects or privately owned properties receiving government subsidies to provide affordable rents.

Maintaining affordability often involves monitoring compliance with restrictions and extending deed restrictions as they near expiration. It should be noted that this can be more difficult to accomplish with deed-restricted resale units. Routine efforts should include regular communications with owners to ensure legal compliance with expiring units and examining funding sources utilized for the deed restriction. For example, U.S. Department of Housing and Urban Development project-based vouchers provide a federal subsidy to property owners wherein the tenant rent paid plus the U.S. Department of Housing and Urban Development subsidy amount equals market rate rent for each subsidized unit. Renewing these vouchers is relatively simple and property owners are incentivized to do so. Public agencies should communicate with property owners to determine if this renewal will take place. If not, public agencies can reach out to the investment fund and lending community, which has become robust in recent years, to examine the potential for acquisition for preservation.

A description of private equity and investor interest in affordable housing as a potential funding source is provided later in this memo.

Projects that initially utilized Low-Income Housing Tax Credits may re-syndicate by completing a substantial rehabilitation to secure additional tax credits to extend affordability, but this funding source is highly competitive, and projects focused on permanent supportive housing for unhoused individuals and families typically score higher and secure a large share of the Low-Income Housing Tax Credits. This process is also very lengthy, and projects can take up to 5-7 years to complete.

1.2 Unrestricted Units / Naturally Occurring Affordable Housing (NOAH)

Photo: Aerial view of housing in a residential neighborhood near downtown Santa Barbara. Image courtesy of LoopNet.

Unrestricted units, often referred to as Naturally Occurring Affordable Housing (NOAH), are properties that remain affordable without subsidies or legal restrictions. These units typically include older apartment buildings, smaller multi-family properties, and homes not located near jobs or amenities (such as rural areas). They tend to offer lower rents due to factors such as age, location, or lack of renovations/modern amenities. **Additionally, community residents working from home are able to reside in these units, reducing vehicle miles traveled (VMT), which in turn also helps the County address climate-related housing goals. Maintaining the affordability of these units is vital, as they represent a significant portion of the affordable housing market.**

While deed-restricted housing ensures affordability at or below specified income levels as required by the program, unrestricted housing costs fluctuate according to market dynamics. Factors such as local and regional rent trends, the quality and age of the unit, and various attributes at the building and neighborhood levels significantly influence the housing cost. These market-driven factors create variability in the affordability and availability of unrestricted units. Examples of unrestricted units include:

- **Older Apartment Buildings (Rental)**: Properties that are 20-30 years old or older tend to be more affordable than newer developments because they have likely depreciated in value and may not have the latest amenities/floor plans. These buildings often attract tenants who prioritize lower rent over modern features.
- **Smaller Multi-Family Properties (Rental)**: Smaller apartment buildings or complexes, typically with fewer than 50 units, can be more affordable. These properties often do not have the scale to support high-end amenities or extensive property management services, making them less expensive to rent.
- **Single-Family Homes Located Further from Jobs/Amenities (Ownership)**: Homes located in these areas require longer commutes to employment centers or fewer amenities may have lower market rents, making them naturally affordable.
- **Converted Properties (Rental)**: Buildings originally intended for other uses (such as old industrial buildings or hotels) that have been converted into residential units can offer lower rents compared to new construction due to lower initial property costs.
- **Mobile Homes and Manufactured Housing (Ownership)**: These types of housing can be more affordable due to lower construction costs and the ability to place

them in less expensive land areas. They often provide a viable affordable housing option without requiring subsidies.

- **Housing in Rural Areas (Rental/Ownership)**: Properties in rural or semi-rural areas typically have lower rents or sales prices than urban or suburban areas due to lower land costs and demand. These units often provide a more affordable living option for Low- to Moderate-Income families.

Naturally occurring affordable housing units also present challenges as there are likely few financial incentives to keeping rents and prices affordable as prices and rents continue to rise at significant levels. Public agencies with sufficient funding can provide financial incentives to multi-family property owners to place deed restrictions on a portion of units or provide rental subsidies to tenants. Ownership units present a greater challenge as homeowners seeking to sell are focused on obtaining the highest price possible.

However, in recent years private equity firms and investors have shown great interest in acquiring both income-restricted affordable rental projects and extending the affordability covenants and acquiring naturally occurring affordable housing properties (typically older apartment complexes) and recording income-restricting covenants. This private sector interest in affordable housing presents an important preservation approach that does not involve public subsidies, which can take years to come to fruition. While the private sector in the County has not served as a resource in the preservation of affordable housing in the past, the County should look to increase engagement with the private sector to help develop and grow those efforts. **A discussion on the possible role of private sector funding in affordable housing development and preservation in the County can be found in Section 4 of this document.**

2 EXPEDITE DEVELOPMENT STREAMLINING PROGRAMS/ACTIONS IN 6TH CYCLE HOUSING ELEMENT UPDATE

Santa Barbara County can enhance the development of Affordable and Workforce Housing, meeting the area's housing demands and fostering sustainable growth, by adopting the key programs and policies outlined in the County's 6th Cycle Housing Element, expediting and expanding on efforts where possible, with a focus on the Lompoc and Santa Maria Valley Housing Market Areas. This focus is recommended due to the fact that census and real estate analytics data from Costar and Zillow indicate that market rate rental and ownership housing is affordable to "Workforce" households *as defined in the existing Inclusionary Housing Ordinance*. Expediting streamlining programs/actions will bring housing units to the market to meet the existing need faster.

The table below offers a concise overview of these programs, including recommendations for each. Detailed descriptions of the programs are available in the County's 6th Cycle Housing Element.

Table 2: 6th Cycle Housing Element Programs and Recommendations

6th Cycle Programs	Program Details and Recommendations
Program 4: Inclusionary Housing	Consider applying the Inclusionary Housing Ordinance to rental housing developments and track the program efficacy to determine the inclusionary contribution to meeting the County's Regional Housing Needs Assessment (RHNA) targets at each income level. **Recommendation**: Complete a comprehensive Inclusionary Housing Study by December 2025 and revise the Inclusionary Housing Ordinance based on the findings, including (if financial feasibility can be demonstrated) rental housing projects as well as ownership development, 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	Modify zoning standards (setbacks, height limits, parking requirements) for new affordable housing, provide discretionary reductions of development impact fees for projects with public benefits, and provide gap financing for affordable housing projects. **Recommendation**: Amend zoning on additional sites for Workforce and Below Market Rate housing to increase densities, etc. by December 2025.
Program 6: Housing for Farmworkers and other Employees	Meet with housing developers and employers. **Recommendation**: Meet annually (first meeting by July 2025) and use as an opportunity to assess the need for implementation of neighborhood revitalization program in unincorporated County communities.
Program 10: Accessory Dwelling Units (ADUs)	Develop pre-approved plans for ADUs and create a fair housing fact sheet to include in ADU permit applications. **Recommendation**: Assess feasibility of developing an ADU forgivable loan program similar to Napa County's forgivable loan program for accessory dwelling unit construction (loans provided and forgiven in exchange for affordability covenants of at least 5 years and rents

6th Cycle Programs	Program Details and Recommendations
	capped at specific Area Median Income level). Complete assessment by December 2025.
Program 13: Density Bonus Provisions	Promote use of density bonus provisions during developer outreach and evaluate the appropriateness of a county density bonus program for Moderate-Income housing. **Recommendation**: By August 2025, update in alignment with AB 1287 and 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	Expand Objective Design/Development Standards to the Montecito Land Use and Development Code (MLUDC) and the Coastal Zoning Ordinance and assess options to reduce or defer development impact mitigation fees for housing development projects. **Recommendation**: Revisit existing Objective Design Standards to ensure clarity and objectivity and apply to Housing Market Areas where Workforce and Below Market Rate units are planned (by July 2025). In addition, defer development fees to Certificate of Occupancy if Senate Bill 937 does not pass.
Program 18: Preservation of Affordable Housing at Risk of Conversion to Market Rate and Mobile Home Parks	Monitor at-risk rental housing projects, pursue funding to extend affordability covenants, and conduct outreach to acquire projects aging out of low-income use. **Recommendation**: Initiate steps to engage private equity to encourage investment in at-risk rental projects (see Section 6.4) by February 2025.
Program 19: Short-Term Rentals (STR)	Amend the zoning ordinances to include an STR Program for the Coastal Zone. **Recommendation**: Require annual registration, place an annual cap on the number of unhosted nights per year, require hosts to collect and remit hotel taxes, and heavily prohibit new permits. Draft amended ordinances by February 2026.
Program 21: Local Preference	Conduct study of an ordinance/guidelines to establish a local preference for Affordable and Workforce-Income housing units providing priority for people who live and/or work within the County region to rent or purchase affordable and Above Moderate-Income (120-200 % of the Area Median Income) housing units subsidized by the County or provided through the Inclusionary Housing Ordinance. **Recommendation**: Initiate study by December 2024 with completion by June 2025. If the study supports local preference, initiate implementation actions by September 2025.
Program 24: Rental Housing Incentive Program	Develop a program to incentivize rental housing development, considering zoning ordinance amendments for higher densities with smaller unit sizes. **Recommendation**: 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.

3 INCLUSIONARY HOUSING

3.1 Background

Inclusionary housing is a requirement as part of a jurisdiction's local codes (adopted by Ordinance) that requires new housing development projects to produce affordable housing units in those developments. Many jurisdictions allow an In-Lieu Fee to be paid in place of providing the units to provide flexible options to developers.

3.2 Data Sources

The following data sources were utilized for the analysis of the current Inclusionary Housing requirements and In-Lieu Fee calculations:

- **2004 Bay Area Economics (BAE) Santa Barbara County Inclusionary Housing Fee Study and In-Lieu Fee Report:** Established the foundational methodologies for determining the subsidy and construction cost fees required for different income categories of affordable housing.
- **County Resolution Nos. 04-338 and 04-339:** Formalized these methodologies, setting the initial parameters and ensuring that annual adjustments reflect changes in the housing market, particularly median condominium sale prices.
- **County Inclusionary Housing Ordinance – 2023 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements Board of Supervisors Letter**: Provided the most recent fee adjustments.

3.3 Understanding of the Current Methodology

The Inclusionary Housing Ordinance mandates that new for sale, ownership residential projects with five or more units allocate a certain percentage as affordable housing. Developers can fulfill this requirement by either providing affordable units on-site, providing units off-site, paying In-Lieu Fees or a combination of providing units and paying fees. Fees provided are directed to the County's Housing Trust Fund (Fund), which supports the development and rehabilitation of housing for Very Low- and Low-Income individuals, special needs groups, seniors, and veterans. The Trust Fund also assists non-profits and other agencies in maintaining affordable housing. Administration of the fund is managed by the Community Services Department. The Inclusionary Housing Ordinance does not currently apply to rental housing projects.

The County calculates In-Lieu Fees separately for Very Low- and Low-Income units as well as Moderate Income and Workforce Income units. Additionally, four separate fees are calculated in the four following Housing Market Areas of the County:

- South Coast
- Santa Ynez
- Santa Maria
- Lompoc

The In-Lieu Fees are calculated according to the following:

- ***Very Low and Low Income units (based on subsidies needed)***: The initial In-Lieu Fees for Very Low and Low Income units were set by Resolution 04-339, based on the 2004 In-Lieu Fee Update Report and were based on the subsidy amount needed for units in these categories. Section 46A-6(b) of the Inclusionary Housing Ordinance states that that these In-Lieu Fees are to be updated annually based on the percent change in the median sales price of condominiums in each Housing Market Area over the previous 12-month period.
- ***Moderate Income and Workforce units only (based on cost of construction):*** The fee is calculated by subtracting 15% of the median sale price of condominiums in each Housing Market Area over the previous 12-month period from the median condominium sales price. According to the 2004 In-Lieu Fee Update Report, 15% represents average developer profit which, when subtracted, should yield the construction cost of the average condominium in each Housing Market Area, as outlined by Resolution 04-339 and as required by section 46A-6(b).

According to the September 12, 2023, staff report to the Board of Supervisors provided by County staff, the 2023 In-Lieu Fee adjustments were based on 2022 condominium sales data provided by the County Assessor's Office. These fees are reviewed and updated annually by the Community Services Department as stipulated by the Inclusionary Housing Ordinance.

3.4 5th Cycle Planning Period Progress Through the Inclusionary Housing Ordinance

Progress reported over the 5th Cycle planning period as reported in the 6th Cycle Housing Element Update is as follows:

- **Inclusionary Housing Ordinance produced housing units** – eight (8) Very Low Income rental units; two (2) Low Income for-sale units; sixteen (16) Workforce for-sale units. For comparison, the City of Santa Barbara saw a total of five (5) Inclusionary units produced and seven (7) approved during the 5th Cycle planning period for Moderate and Above Moderate Area Median Income households.
- **Inclusionary Housing Ordinance fees collected** - $2,683,240. Information on inclusionary fees collected for similar communities was not made available.
- **Units developed with Inclusionary Housing Ordinance fees (to partially subsidize other affordable projects)** – Forty two (42) Low Income units; Twenty nine (29) Very-Low Income units.

An analysis on the performance of Santa Barbara County's 5th Cycle Housing Element programs as compared to similar and surrounding jurisdictions is presented in the Task Memo 3. While the analysis was not specific to inclusionary units produced, progress reported is inclusive of units produced under the inclusionary program for those jurisdictions that have established requirements.

3.5 Recommendations

Based on the information outlined above, a thorough analysis of the information collected to date (including under Task 2) and focused stakeholder meetings, several recommendations and considerations have been identified that would align the County's affordable housing goals and current market conditions. Key recommendations are summarized in **Table 3. Inclusionary Housing Ordinance Recommendations and Considerations**, presented on the following page and discussed more in-depth in the pages that follow.

Table 3. Inclusionary Housing Ordinance Recommendations and Considerations

Inclusionary Housing Ordinance Program	Current	Suggested	Key Considerations
Methodology Review	The last comprehensive study was performed in 2004.	Perform a comprehensive study at least every 4 years (with mid-cycle Housing Element Update).	Financial feasibility is impacted by changes in market factors (i.e., interest rates, loan eligibility, insurance and homeowners association costs, inflation) that impact the affordability gap.
Inclusionary Requirements	No Inclusionary requirements (units or fees) for rental housing or mixed-use developments.	Amend Inclusionary Housing Ordinance to require all housing developments (rental and ownership) to be subject to inclusionary requirements at %s that are financially feasible.	Future rental projects likely due to: • Small % households can afford to purchase a home (see Task 2 Memo). • Recent rezoning of Housing Element Update sites at higher densities (May 2024).
In Lieu Fee Calculation (by Housing Market Area)	<u>Very Low and Low Income:</u> • Initial fee = construction cost less affordable sales price. • Annual update = % change in condo median sales price prior 12-month period. <u>Moderate Income and "Workforce":</u> • Initial fee = construction cost. • Annual update = median condo sale price prior 12-month period less 15% (profit).	• Update fee methodology to calculate the "gap" between development cost (including profit) and max sales price (ownership) or maximum supportable debt/unit (rental). • Apply construction cost index to fees annually and test financial feasibility (proforma analysis) every 4 years. • Refer to all income categories referenced in Ordinance as Workforce.	• In Lieu Fee based on the "gap" (as described to the left) for all income categories • Annual updates based on construction cost increases rather than on sales prices. • Based on the proforma analysis performed, findings suggest that Workforce for rental housing is equivalent to 30-120% of Area Median Income while Workforce for ownership housing equals 120%-200% of the Area Median Income.

Inclusionary Housing Ordinance Program	Current	Suggested	Key Considerations
		• Revise the term "Workforce" in Ordinance to represent multiple income categories as shown on Table _ on page __.	

Applicability & Set Aside Requirements	• Projects with 5 - 19 units
	  ○ 1 Moderate Income unit
	• Projects with 20 + units
	  ○ Very Low – 2.5%
	  ○ Low – 2.5%
	  ○ Moderate – 5%
	  ○ Workforce – 5%.
	• l00% rental projects and mixed-use projects with < 10 units exempt.
		• Require for 100% rental projects and mixed-use development projects with < 10 units.
		• Different set-aside requirements for rental and ownership projects based on financial feasibility (to avoid discouraging housing development).
			• Rental - Current market rate rent is affordable at > 120% Area Median Income. Missing Middle (see Section 3.5.3.2 for definition)/Moderate = market rate rental. The financial feasibility analysis for the Santa Maria Housing Market Area (3.5.3.5.2) indicates that a project can be feasible with 5% of units reserved for Very Low, Low, Moderate, and Missing Middle households.
			• Ownership – under current market conditions, the initial financial feasibility analysis for the Santa Maria Housing Market Area (Section 3.5.3.2) indicates that only Moderate and Missing Middle are feasible in the Santa Maria Housing Market Area.
			• **Comprehensive Inclusionary Housing Study** needed with financial feasibility analysis for each Housing Market Area and for both rental and ownership projects.

Inclusionary Housing Ordinance Program	Current	Suggested	Key Considerations
Alternatives to Satisfy Inclusionary Housing Ordinance Requirements	• "Workforce" may be satisfied with residential second units (Residential Secondary Units) without sales price, deed, or occupancy restrictions. • In-Lieu Fees can be paid instead of providing affordable housing units on site.	• Require Missing Middle (see Section 3.5.3.2 for definition) sales price, deed, and/or occupancy restrictions. • 20 + units – allow In Lieu Fee only if developer demonstrates (with verified pro forma) that units are not financially feasible. • Allow flexibility for offsite units to fulfill requirement - new or conversion of market rate to income-restricted units.	• Housing Element Update Program 4 - replacing Residential Secondary Units to include Accessory Dwelling Units by 2026. • Consider requiring deed restriction for long-term affordability.
Duration of Affordability	45 years for ownership units only, restarting for up to 90 years upon resale of the unit.	Consider rental units at 55 years for credit toward Regional Housing Needs Allocation.	County is considering amending Ordinance to extend duration of inclusionary units affordability to 90 years.

Incentives	• <u>Density Bonus</u>
	  o Inland Area: 1 unit over base density for each required onsite Moderate and/or "Workforce" unit.
	  o Coastal Zone: 1 unit over base density for each required onsite affordable unit.
	• Zoning modifications considered.
	• Common/ public open space may be reduced 25% of gross acreage in
		Density bonus law has changed as recently as January 1, 2024, with higher density bonuses when affordable units are included (up to 100%).
		
		The County would need to increase the local density bonus to exceed the sliding scale mandated by the state. The County's current requirements are no longer an incentive with these changes in the law.
			• Continue current incentives
			• Implement 6th Cycle Housing Element Programs:
			  o #5, Tools and Incentives for High-Quality Affordable Housing.
			  o #13: Density Bonus Provisions.

Inclusionary Housing Ordinance Program	Current	Suggested	Key Considerations
	the Design Residential (DR) Zone District.	As part of Program 13 in the County's 6th Cycle Housing Element Update, provide credits for Inclusionary reductions to incentivize income categories and exceed state density bonus allowances. As part of Program 5 in the County's 6th Cycle Housing Element Update, incorporate incentives such as increased FAR, reduced parking, height increase, setback reduction, expedited permitting, fee deferrals/ reductions, and transfer of development rights. Additional incentives above for community benefits.	

3.5.1 Revisit the 2004 Inclusionary requirements under current market conditions and Statewide laws.

The initial study completed prior to the Inclusionary Housing Ordinance was conducted by Bay Area Economic (BAE) in 2004. While this study did provide for methodologies to update fees each year to stay current with housing prices, the formula doesn't factor in the following:

- **A lack of future ownership housing affordability and the increase in rental housing development.** The Inclusionary Housing Ordinance was adopted at a time when very little to no rental housing was being developed in the County.
- Higher **interest rates or interest rate fluctuations** have a significant impact on affordability for ownership housing.
- **Tighter lending requirements** after the Great Recession in 2009. Dodd Frank, a federal bill passed shortly after this time, effectively increased the difficulty for obtaining mortgages, particularly for Lower-Income individuals and families. Debt-to-Income ratios are key criteria for loan approval as is down payment and closing costs in cash. Given these tighter restrictions, it is no longer feasible for the vast majority of Very Low- and Low-Income households to obtain a mortgage.
- **The dissolution of Redevelopment**, a financing tool that allowed local government to generate revenue for economic development and affordable housing, many local first-time homebuyer programs and down payment assistance programs no longer have the funding to continue. The California State 2024-25 budget also contained cuts in the first-time homebuyer program (State funded) and to affordable housing funds.
- **State Density bonus law** incentivizes the production of Very Low-Income units. Density bonus laws (beginning in 2017 with several updates since that time) have provided incentives to developers to include affordable housing units as part of developments. Density bonus law mandates that any development in the State is entitled to 50-100% higher densities than those allowed by the zoning code of jurisdictions if affordable units are part of a project. Local cities and counties cannot deny these density bonuses.

  California has updated the State Density Bonus Law to allow developers to add significantly more density to eligible projects. Assembly Bill 1287 introduces a new stackable density bonus aimed at promoting Middle-Income and additional Very Low-Income housing. This law also allows developers to receive a density bonus for Moderate-Income rental units for the first time.

Example of Density Bonus for Very Low Income Units

% VLI Units	% Density Bonus
5	20
6	23.75
7	27.5
8	31.25
9	35
20	38.75

Example of Density Bonus for Moderate Income Units

% Mod Units	% Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35
12	38.75
13	42.5
14	46.25
15	50

For example, in 2024, a 100-unit rental project that has 15% Very Low Income units is entitled to an 89% density bonus, meaning the developer can build 89 additional market-rate units on the same property. The 15% Very Low Income threshold provides the greatest density bonuses. The same example with Low or Moderate Income units would get a much lower density bonus. These laws did not exist in 2004 when the Bay Area Economic study was prepared and the Inclusionary Housing Ordinance was adopted.

3.5.1.1 Recommendations

Amend the Inclusionary Housing Ordinance to change the following:

- Ownership units **– change inclusionary requirements for ownership housing be to Moderate Income (80-120% of Area Median Income) and Missing Middle (120%-200% of Area Median Income) only.** See below for description of the term "Missing Middle." As described in Section 3.5.3.2, inclusionary requirements to provide Very Low Income (50% of Area Median Income and below) and Low Income (50-80% of Area Median Income) units render ownership housing projects financially infeasible due to changes in market conditions.
- Rental units **– add inclusionary requirements for 100% rental housing projects at the existing ownership inclusionary percentages for Very Low, Low, and Moderate Income.** See Section 3.5.2 for more description.
- Mixed Use – **add inclusionary requirements for mixed-use development projects with < 10 units.**
- **Change the term and definition of "Workforce" as data in the Task 2 memo indicates that workforce applies to a wide range incomes between 30-200% of Area Median Income.**
    - **For ownership housing, change "Workforce" to "Missing Middle"** with the definition as households between 120% and 200% of Area Median Income.
    - **For rental housing, include a category for "Missing Middle" that would only apply in Housing Market Areas where median rents exceed maximum affordable rents** calculated pursuant to current California State Department of Housing and Community Development income limits.
- **Perform an updated financial feasibility analysis for each Housing Market Area at least every four years (ideally in alignment with the mid-cycle Housing Element update review) to factor in current market factors.** See Section 3.5.3 for more description.

3.5.2 Examine the feasibility of Inclusionary requirements for rental housing units rather than only ownership units.

The following factors will likely result in more rental housing projects developed in the County moving forward:

- The **recent rezoning** of identified sites in the 6th Cycle Housing Element Update that are planned to include affordable units for higher density development (in accordance with state law requirements). These higher densities are associated with multi-family development.

- The **lack of affordability of ownership housing**. As detailed in the Task 2 memo,
    - Median home prices increased by 61% between May 2019 and May 2024 vs. a 50% increase in County's Area Median Income.
    - The annual income required to afford the County's median priced home is $281,792, or 300% of the 2024 Area Median Income for a 2-person household.
    - 2- and 4-person households earning 200% of Area Median Income are unable to afford the County's median priced home.

Establishing Inclusionary requirements for rental development ensures that all market-rate housing development contributes to either creating units or paying fees that can be utilized to create more affordable housing in the community.

Most jurisdictions with Inclusionary Housing requirements do mandate that both rental and ownership housing development participate in ensuring affordable housing is created.

3.5.3 Test the financial feasibility of Inclusionary requirements (particularly for Very Low and Low Income ownership units under current interest rates and lending requirements) and update In Lieu Fee methodology.

3.5.3.1 Inclusionary Requirements

The current Inclusionary Housing requirements include the following (applies to ownership only):

Projects with 5 to 19 units
- 1 Moderate Income unit

Projects with 20 or more units
- 15% Inclusionary
- Very Low - 2.5%
- Low - 2.5%
- Moderate – 5%
- Workforce – 5%

Exempt
- 100% rental projects
- Mixed-use projects with < 10 units

Other Requirements
- Deed restriction for 45 years, 90 years with resale

Workforce may be satisfied with accessory dwelling units
- No sales price, deed, or occupancy restrictions

Various incentives granted (as shown in Table 2)

It is important to note that the requirement for Workforce is waived at times for Lompoc & Santa Maria because median home prices have been equal to the Moderate and Workforce sales prices. Essentially, market-rate ownership housing is priced at levels that are affordable to Moderate Income and "Workforce" income categories (as defined in the current Inclusionary Housing Ordinance) in only the Lompoc and Santa Maria Housing Market Areas and units in these two categories have been created through the Inclusionary Housing Ordinance over the last several years.

3.5.3.2 Impact of Market Factors on Financial Feasibility (Ownership)

Current market conditions, such as high interest rates and significantly tightened lending requirements have generally constrained the financial feasibility of including Very Low- and Low-Income housing units as part of market-rate ownership projects in recent years. Recent housing developments in the County have provided Very Low and Low ***rental*** units vs. for sale units to meet inclusionary requirements due to the extremely low maximum sales prices required for these income categories.

More specifically, it is generally accepted that total ownership housing costs should not exceed 35% of gross income. A very high proportion of the maximum housing expenditure for income restricted units at Very Low and Low Incomes needs to be dedicated to property taxes, homeowners association dues, and homeowners insurance (most of which are not discounted for affordable ownership units). Therefore, a very small amount remains for the mortgage payment (principal and interest). Interest rates have risen significantly over the past 5 years as well, meaning that the cost to finance a home has also risen significantly. These market rate factors cannot be controlled by local jurisdictions and drive sales prices at Very Low and Low Income down so significantly that the amount of total revenue derived from these income restricted units renders a project infeasible. This would have the effect of discouraging market rate development in the County unincorporated area.

It is critical to test the financial feasibility of Inclusionary Housing requirements under current market conditions to ensure that Market Rate housing is not discouraged in alignment with the California State Department of Housing and Community Development guidance.

Harris conducted a simplified proforma analysis in the Santa Maria Housing Market Area to test the financial feasibility of not only the current inclusionary requirements for ownership housing, but also the financial feasibility of instituting inclusionary requirements for rental housing.

A summary of the analysis is below with the detailed proforma analysis provided in **Appendix A**.

3.5.3.3 Financial Feasibility Analysis - Current and Potential Rental Inclusionary Housing Requirement

3.5.3.3.1 Background

Because the County's Inclusionary Housing requirements were established 20 years ago, testing the financial feasibility of the current requirements is critical due to the following changes:

- Federal and state laws pertaining to lending requirements and funding sources (i.e., tighter lending requirements, Redevelopment dissolution).

- Market factors such as interest rates, development costs, etc.

<u>If Inclusionary Housing requirements in communities are not financially feasible, it discourages market rate housing development as developers will not move forward with a project where costs exceed revenues.</u>

A proforma analysis is a financial model that calculates the total revenues derived from a housing project and subtracts this amount from the total cost to develop the project (including financing and required investor/developer profit) to determine if the revenues exceed the costs by an acceptable margin (often referred to as a project "penciling"). If revenues exceed costs in this manner, a project is deemed financially feasible.

3.5.3.3.2 Findings

The results of the proforma analysis indicate the following:

- **Ownership**
    - Current Inclusionary requirements for ownership housing are not financially feasible with Very Low and Low Income Requirements.
    - Modified Inclusionary requirements at 10% Moderate and "Missing Middle" (120-200% of Area Median Income) only are feasible.
- **Rental**
    - Potential Inclusionary requirements for when applied to rental projects at the same percentages as the current ownership requirements are also feasible.

The specific recommendations for ownership and rental housing are provided in Table 4 below:

Table 4: Ownership and Rental Housing Recommendations:

Area Median Income Level	Current Inclusionary Requirements	Recommended Requirements – Rental	Recommended Requirements - Ownership
Very Low (30%-50%)	**2.5 %**	**5%**	
Low (51%-80%)	**2.5 %**	**5%**	
Moderate (81%-120%)	**5 %**	**5%**	**5%**
Workforce/Missing Middle (121%-200%)	**5 %***	**5%**	**5%**

***** *Workforce/Missing Middle requirements may be waived in some Housing Market Areas (Santa Maria and Lompoc) within the County when Market Rate equals Workforce/Missing Middle.*

3.5.3.4 Prototype Projects

The first step in the financial feasibility analysis is to identify a projected project type that is likely to be developed in the future in the County (referred to as "prototypes" for the purposes of the financial feasibility analysis), for both ownership and rental projects.

Recent projects have occurred in both the Santa Maria and South Coast Housing Market Areas. However, the Santa Maria projects were utilized because rents and sales prices are lower in this area than in South County, but construction costs are similar throughout the County. Where rents and sales prices are lower, there is less general profit to subsidize affordable units where rent and sales prices are considerably lower than market rate, particularly for Very Low and Low Income units. If a project is financially feasible in the Santa Maria Housing Market Area, it is likely that projects are also financially feasible in the South Coast Housing Market Area where housing prices and rents are higher.

3.5.3.5 Proforma Analysis

Development proforma analysis is a detailed analysis that essentially subtract costs from revenues to determine if a project is feasible. If costs exceed revenues, or the remaining revenue is below the profit requirements, the project is deemed infeasible. However, if the revenues exceed costs that exceeds the profit requirements, a project is considered feasible.

Harris performed the proforma analysis utilizing the Residual Land Value approach to determine the feasibility of the proposed Inclusionary Requirement. The Residual Land Value (RLV) approach measures the feasibility of projects with and without the Affordable Housing Requirement. The Residual Land Value approach calculates development and operating costs, projected revenues (rents and sales prices), and calculates the required amount of profit (as described in previous sections) to isolate the most a developer can feasibly pay to acquire land.

Often times, the phrases "pencils" or "does not pencil" is used when discussing a development. When a project "pencils" it is feasible and when a project "does not pencil" it means it has been deemed infeasible.

Harris performed the proforma as a high-level analysis to conduct a simplified feasibility test of the current Inclusionary Housing Ordinance requirement for ownership and potential rental projects.

The proforma analysis performed by Harris is not meant to replace the recommendation previously made, recommending the County update the Inclusionary Housing study, including a proforma analysis that tests the financial feasibility of not only the existing Inclusionary requirements that apply to ownership units but also for rental housing (as stated above), preferably with at least one rental and one ownership prototype for each Housing Market Area.

3.5.3.5.1 Ownership Proforma

First, a proforma analysis was conducted for Meadowview Duet Homes at Rice Ranch, an ownership housing "prototype" within the Santa Maria Housing Market Area, based on the unit mix and recent sale prices for a newly constructed, 100% market rate townhome project featuring 52 units.

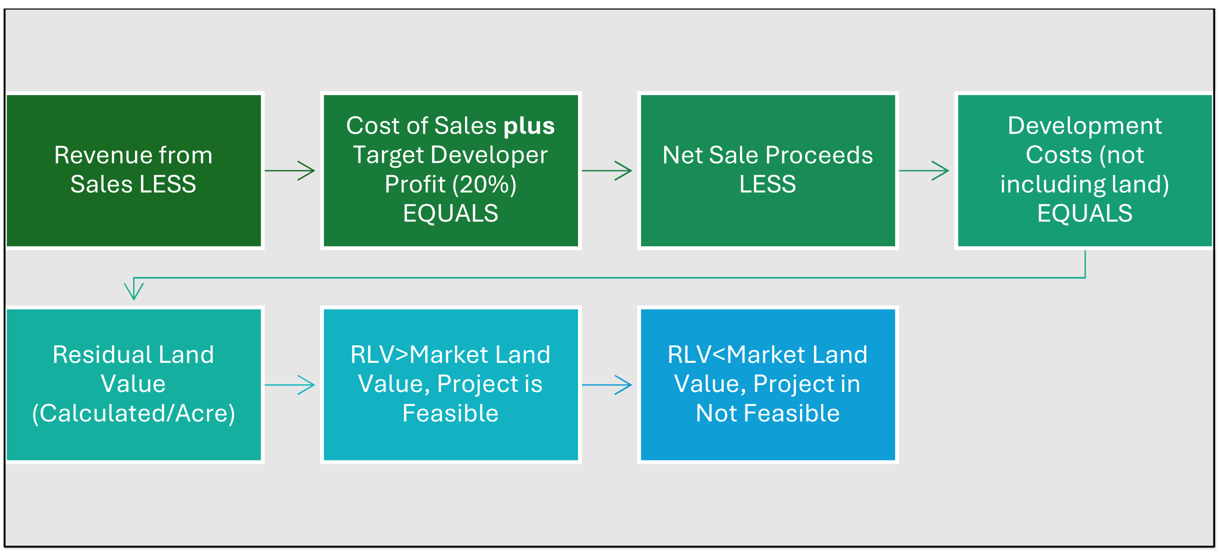
The current target household income ranges and targets under the Inclusionary Housing Ordinance are as follows:

Table 5. Current Inclusionary Housing Ordinance Target Household Income Ranges

Household Income Category	Household Income Ranges	Target Household income as Percent of Area Median Income
Very Low	50% or less	50%
Low	51-80%	75%
Moderate	81-120%	110%
Workforce	121-200%	160%

The methodology for the proforma analysis for the ownership project involved the steps illustrated in Figure 2, Ownership Proforma Methodology utilizing the current inclusionary requirements.

Figure 2: Ownership Proforma Methodology



In order to calculate the revenues from the home sales accurately, the maximum sales prices at income level pursuant to the existing Inclusionary Housing Ordinance needs to be calculated, as shown in Table 6. The 2024 California Department of Housing and Community Development State Income Limits for a 4-person household were used to estimate the maximum home price at each income level. ***It is important to note the per***

the recommendations in this memo, the existing "Workforce" category in the Ordinance is referred to as "Missing Middle."

Table 6. Maximum Affordable Mortgage vs. Sales Price

Income Level (4-Person Household)	Very Low Income	Low Income	Moderate Income [8]	Missing Middle Income [9]
Maximum Household Income [1]	$81,300	$130,350	$131,010	$190,560
Maximum Monthly Housing Cost [2]	$2,371	$3,802	$3,821	$5,558
Less:				
Homeowner's Insurance [3]	$117	$117	$117	$117
Property Tax (1.11%) [4]	$751	$751	$751	$751
Homeowners Association [5]	$270	$270	$270	$270
Utilities [6]	$517	$517	$517	$517
Monthly Private Mortgage Insurance [7]	$71	$251	-	-
Maximum Monthly Principal & Interest	$646	$2,147	$2,166	$3,903
Maximum Mortgage Amount	$96,254	$320,139	$322,972	$581,962
Maximum Selling Price	**$101,320**	**$336,989**	**$403,715**	**$727,452**
Down Payment % Assumed	**5%**	**5%**	**20%**	**20%**
Maximum Down Payment Required	$5,066	$16,849	$80,743	$145,490

Notes:

[1] California Department of Housing & Community Development 2024 income limits, Santa Barbara County.

[2] Maximum housing cost calculated as 35% of monthly income.

[3] Average monthly insurance premium in California, according to Bankrate (https://www.bankrate.com/insurance/homeowners-insurance/homeowners-insurance-cost/#cost-by-state))

[4] Property taxes estimated at 1.11%, per recent property tax bills in surrounding submarket.

[5] Monthly HOA Fees per unit for townhomes within 'prototype' project. (https://www.zillow.com/)

[6] Utility expenses are estimated based on 2024 Santa Barbara County utility allowances.

[7] Monthly private mortgage expenses expenses estimated using Freddie Mac PMI calculator (https://myhome.freddiemac.com/resources/calculators/mortgage-insurance)

[8] Moderate household income calculated as 110% of Area Median Income (target income per existing Inclusionary Housing Ordinance)

[9] Missing Middle household income calculated as 160% of Area Median Income (target income per existing Inclusionary Housing Ordinance)

Table 7 compares home prices for this prototype project at different levels of affordability to the market rate price. **The maximum sales price at Very Low and Low Income are 58 - 88% percent lower than the market price of $812,000**. This is in large part due to current interest rates, homeowner's insurance costs, homeowner's association fees and property taxes.

Table 7. Market Prices versus Affordable Sales Prices

Income Level	Maximum Affordable Sales Price
Market-Rate	$812,000
Very Low Income	$101,320
Low Income	$336,989
Moderate Income	$403,715
Missing Middle Income	$727,452

As shown in Table 8 (ownership proforma analysis), the current development cost per unit is estimated at $518,730 per unit (excluding land acquisition). When considering the maximum income restricted sales price for Very Low and Low Income households ranges between $101,320 – $336,989, this results in a loss to the developer anywhere between $417,410 – $181,741 per unit.

As shown in Table 8, the County's existing Inclusionary requirements render this project infeasible because the revenue derived from the Very Low and Low Income units results in revenues from home sales that are insufficient to cover costs and required profit. More specifically, these affordable units need to be discounted at such a significant amount. It is important to note that the developer of this actual project paid In-Lieu Fees totaling $161,460 rather than providing the inclusionary units. As shown in Table 8, the project would not have been feasible had the developer followed the existing Inclusionary Housing policy instead of paying the In-Lieu Fees at the current levels.

Table 8: Summary of Ownership Proforma Analysis Findings

	Meadow View Duet Homes at Rice Ranch		
	100% Market Rate	15% Inclusionary	10% Inclusionary (5% Moderate & 5% Missing Middle)
Product Type	Ownership Townhomes		
# of Units	52	52	52
Studio	N/A	N/A	N/A
1 Bedroom	N/A	N/A	N/A
2 Bedroom	N/A	N/A	N/A
3 Bedroom	52	52	52
Average Unit Size	1,999	1,999	1,999
Stories	2	2	2
Units/Acre (Density)	6	6	6
Development Costs [1]	($26,973,968)	($26,973,968)	($26,973,968)
Residual Land Value per Acre [2]	$686,703	$419,286	$546,230
Market Land Value per Acre [3]	$450,513	$450,513	$450,513
% Residual Exceeds Market Land Value per Acre	**52%**	**-7%**	**21%**
	Feasible	***Infeasible***	***Feasible***

1 - Calculated using Marshall & Swift Construction Cost Index (a CoreLogic product) with two sets of location multipliers applied - as of June 2024.

2 - Residual land value calculated as net sales proceeds (sales proceeds minus cost to sell at 3% of total value minus developer profit at 18% of total value) minus development costs and in lieu fees paid vs building affordable units.

3 - According to comparable sales in Santa Maria in 2023 and 2024 per Costar (a CoreLogic product).

Harris also tested inclusionary housing requirements that would be financially feasible to developers (highlighted in yellow on Table 8) and **recommends that the County consider amending the Inclusionary Housing requirements for ownership to the following:**

- **5% of units reserved for Moderate Income households earning up to 110% of the Area Median Income.**
- **5% of units reserved for Missing Middle households earning up to 160% of the Area Median Income.**

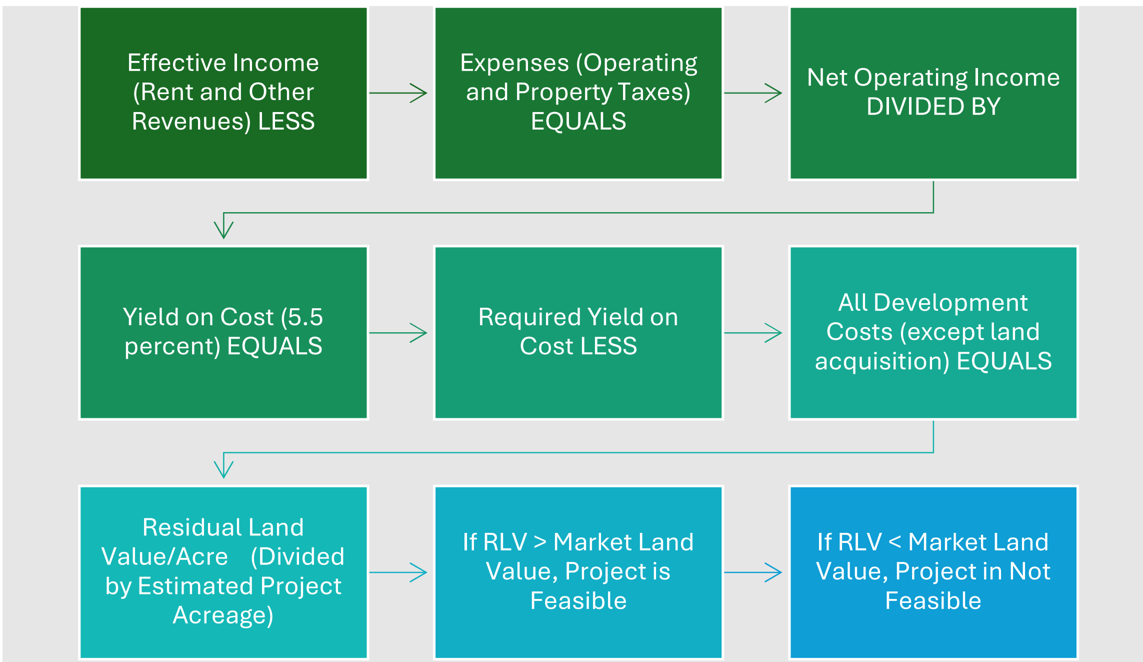
3.5.3.5.2 Rental Proforma

Next, a proforma analysis was conducted for Elements Apartments, a newly-constructed, 100% market-rate rental housing "prototype" within the Santa Maria

Housing Market Area. The County does not currently have inclusionary requirements for rental projects.

The methodology for the proforma analysis for the rental project involved the steps illustrated in Figure 3, Rental Proforma Methodology utilizing the current inclusionary requirements.

Figure 3: Rental Proforma Methodology



As shown in Table 9, the results of the analysis indicate that a rental housing project with a similar unit mix and development costs would be financially feasible with 5% of units set aside in each category for Very Low, Low, Moderate (up to 110% of Area Median Income) and Missing Middle (up to 160% of Area Median Income).

Table 9: Summary of Rental Proforma Analysis Findings

	Elements Apartments	
	100% Market Rate	20% Inclusionary
Product Type	Rental Apartments	
# of Units	167	167
Studio	10	10
1 Bedroom	28	28
2 Bedroom	10	10
3 Bedroom	119	119
Average Unit Size	1,149	1,149
Stories	4	4
Units/Acre (Density)	41	41
Net Operating Income [1]	$4,653,158	$4,414,968
Fair Market Value [2]	$93,063,153	$88,299,370
Development Costs[3]	($82,002,522)	($82,002,522)
Residual Land Value per Acre[4]	$2,724,293	$1,550,948
Market Land Value per Acre [5]	$888,744	$888,744
% Residual Exceeds Market Land Value per Acre	**207%**	**75%**
	Feasible	***Feasible***

1 - Rental income and other income minus operating expenses and vacancy @ 5.5%.

2 - NOI divided by Capitalization Rate (the ratio between the NOI and the fair market value of a property. Used to calculate the fair market value.

3 - Calculated using Marshall & Swift Construction Cost Index (a CoreLogic product) with two sets of location multipliers applied - as of June 2024.

4 - Residual land value calculated as Fair Market Value minus Development Costs.

5 - According to comparable sales in Santa Maria in 2023 and 2024 per Costar (a CoreLogic product).

Both the Ownership and Rental proformas are provided in **Appendix A - Proforma Analysis**. Per the results of the proformas as detailed in Appendix A, there are separate recommendations for ownership and rental as detailed on page 24.

3.5.3.5.3 Restricting In Lieu Fees

It is our understanding that the County wishes to increase the amount of workforce housing units in the County area. One method that may increase the number of units beyond amending the Inclusionary Housing Ordinance to modify ownership requirements based on financial feasibility and adding requirements for rental projects is to restrict the ability of developers to pay In Lieu Fees rather than produce inclusionary units.

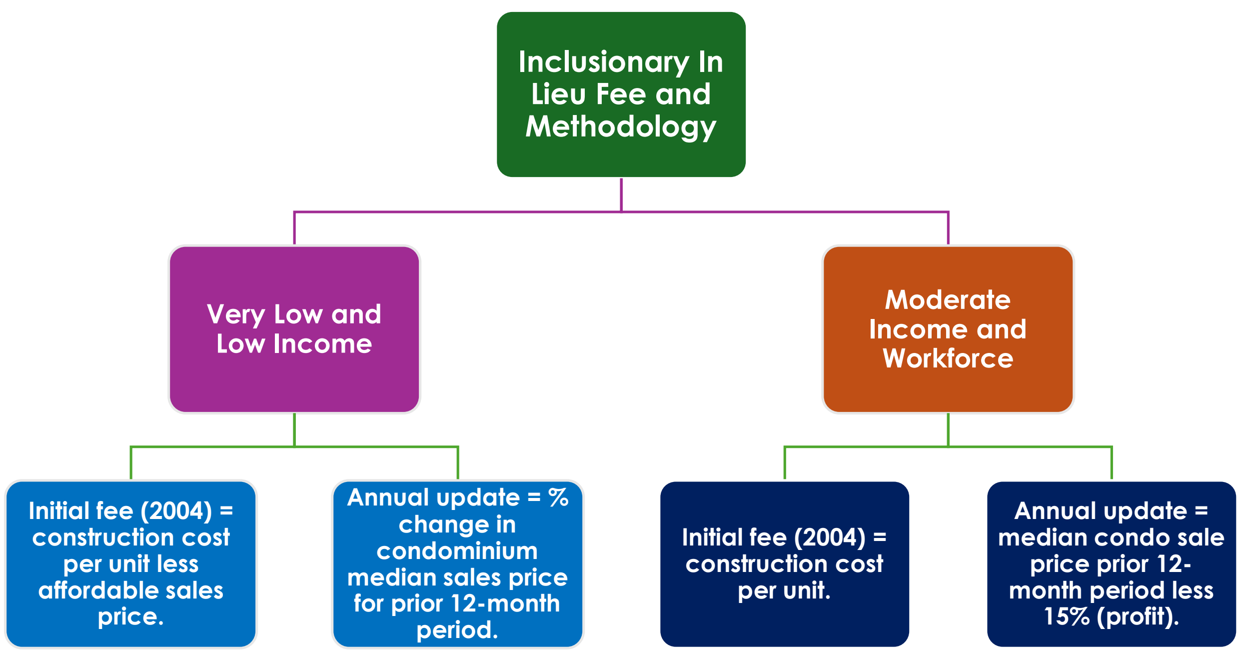
For projects with 20 + units – allow In Lieu Fee only if developer demonstrates (with verified pro forma) that units are not financially feasible. It is recommended that the County verify the proforma analysis internally or through an independent third party to verify the accuracy and legitimacy of the developer's analysis.

3.5.3.6 Inclusionary In Lieu Fees and Methodology

Section 3.3 presented the County's current inclusionary requirements. This section examines the In Lieu Fee structure and methodology.

The existing Inclusionary Housing Ordinance allows developers to pay an In-Lieu Fee instead of building some or all of the Inclusionary units required based on the following formulas:

Figure 4: Inclusionary In Lieu Fee and Methodology



It is important to note the following regarding the current In-Lieu Fee methodology:

- <u>Very Low and Low Income</u> – updates based on median condominium price but does not account for increases in development costs. Interest rates (via the

Primary Mortgage Market Survey) are factored in, helping to determine whether the purchase price for a median home sales price is affordable to a particular income category with that affordability determining the Inclusionary Housing percentage requirement for each Housing Market Area. Mortgage interest rates have a direct impact on the home price a household can afford, making the consideration of fluctuations within the market a critical component to factor into the methodology.

- Moderate and Workforce Income – assumes developer profit is 15% without regular updates.

Pursuant to the proforma analyses previously described, it appears that under the Inclusionary Housing Ordinance, both ownership and rental are financially feasible for Moderate and Workforce (Missing Middle) Area Median Income levels. For Very Low and Low Area Median Income levels, rental is financially feasible while ownership is not.

3.5.3.6.1 Recommendations

Harris recommends that **the Inclusionary Housing Study be updated and include proforma analysis to test the financial feasibility of existing Inclusionary requirements for ownership and also for rental housing for each Housing Market Area**. Additionally, the updated study should examine the fee methodology and identify how to adjust the fee annually to keep pace with costs.

3.5.4 Add developer flexibility in providing Inclusionary units.

Allowing some option in meeting Inclusionary housing requirements is one way to encourage additional housing development in communities. The input received during developer stakeholder outreach conducted for the purposes of this memo indicates that increased flexibility can improve the financial feasibility of projects.

Recommended options include the following:

- Allowing developers to provide Inclusionary units offsite but within the same Housing Market Area of the Unincorporated County. It is important to ensure equitable distribution and furthering fair housing to prevent the over-concentration of affordable units in any one portion of the County. Development of these units would also be required to be developed along the same timeline, or prior to, the market rate development.
- Allow flexibility for offsite units to fulfill requirement - new or conversion of market rate to income-restricted units. Provide increased flexibility and/or incentives as appropriate for developers to purchase existing offsite market-rate units and record deed restrictions to create affordable units rather than constructing the affordable units as part of the project.

- An example is the 217 E. Rice Ranch Rd property, which originally had a covenant recorded against it in 1994 to satisfy affordability provisions requirements as part of the Lorraine Estates Development, with the covenant expiring in 2024. The County sought to sell the property in 2015, and while the property was ultimately sold to a private individual, it would have also been eligible for purchase by a developer planning for the sale of market-rate units in the County. A developer could have purchased the property and extended the affordability covenant to satisfy a potential project's Inclusionary housing requirement.

3.5.5 Extend the affordability period for deed-restricted units.

In order to preserve existing affordable units, it is recommended that the County extend the affordability period for deed-restricted units through the Inclusionary housing ordinance (something already under consideration in Program 4 of the County's 6th cycle housing element update) as well as a condition of providing funding towards the development or acquisition of any affordable housing units.

Extending the affordability period for deed-restricted units from 45 to 90 years would significantly bolster Santa Barbara County's efforts to preserve existing affordable housing and stimulate the creation of new units.

This extension ensures that affordable housing remains accessible to Low- and Moderate-Income families for a longer duration, providing stability and continuity in housing affordability. It helps mitigate the risk of units converting to market rates, which often leads to displacement of current residents and a reduction in the affordable housing stock. By maintaining these affordability restrictions over a longer period, the County can better manage its housing supply, ensuring that more units remain affordable over time. Overall, extending the affordability period aligns with Santa Barbara County's broader housing goals, promoting sustained affordability, reducing housing insecurity, and fostering inclusive community growth.

4 FUNDING

Allocating sufficient resources for acquiring and rehabilitating affordable housing is crucial to preserving both deed-restricted and unrestricted housing in the County. Without adequate funding, nonprofit and for-profit developers will be unable to undertake preservation projects. The following suggestions highlight the necessity of dedicated funding to help preserve vital housing resources for the Workforce and Lower-Income households in the County.

4.1 Private Sector – Private Equity, Impact Funds, Lenders, and Other Investors

After the eviction protections and office market decline following the COVID-19 pandemic, affordable housing has become a focus for the private investment community. Some recent examples of the private investment community investing in affordable housing include:

- In 2022 Langdon Park Capital purchased an unofficial 138-unit affordable housing property in the City of West Covina that rents to Lower to Moderate-Income families. The firms 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, Community Preservation Partners acquired 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 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.
- Genesis LA provides investment funding and new markets tax credits to developers like Heritage Housing Partners, Clifford Beers Housing (Holos), and Azure Development for affordable housing development projects in the County of Los Angeles.

Investors, investment funds (include impact funds), lenders and others have a significant interest in both funding the development of affordable housing projects and the acquisition of aging market rate rental properties, recording affordability covenants, and upgrading the projects. This is a fairly new phenomenon and represents an excellent opportunity to increase the supply of all types of affordable housing in an environment where public subsidies are scarce and subject to reductions through budget cuts. Property tax reductions for affordable rental projects, an endless demand and very short supply and the ability for investors, particularly foreign investors, who have Environmental, Social and Governance (ESG) mandates that investment in affordable housing would satisfy.

Numerous articles such as "Targeted Affordable Housing: Making our Mark", "Real Estate Private Equity Firms Revitalizing Affordable Housing", and "Private Equity and Home Builders Align to Accelerate and Transform the Industry" have been published discussing the investment benefits of affordable housing. In a Bisnow article, CEO Tawan Davis of the Steinbridge Group, an impact investor in the residential sector that invests in the development of affordable rental, single-family rehab and urban infill development, talked about how affordable housing for working families is able to provide viable returns to private investors. The key lies in the unique partnership model between investors and landowners. In this model, investors do not purchase or hold land outright. Instead, landowners become partners, exchanging their land for equity in the development. This approach reduces the investors' upfront costs by eliminating the expense of carrying land. Both the landowner and the investor benefit from the appreciation in value of the land and the development over time, sharing the returns as partners in the project. This method allows investors to achieve strong and sometimes exceptional returns.

Because rents increase annually on pace with median income and affordable properties experience very little turnover as compared with market rate rental properties, pension funds and other institutional investors are looking to add these properties as part of a stable investment portfolio. One of the main benefits of private sector funding is the significant reduction in regulation and time it takes to produce affordable/Workforce housing. Without multiple funding sources (some lenders will provide 97% of the funding needed, including predevelopment, construction, and permanent financing) with multiple applications and different timetables, privately funded projects can be completed in 2-3 years rather than 5-7 years with Low Income Housing Tax Credits projects and for less development cost.

Organizations focused on development and the private sector, such as Urban Land Institute (national) and Bisnow (in southern California in particular) hold conferences and events that are attended by private sector companies, to discuss the merits of this investment type.

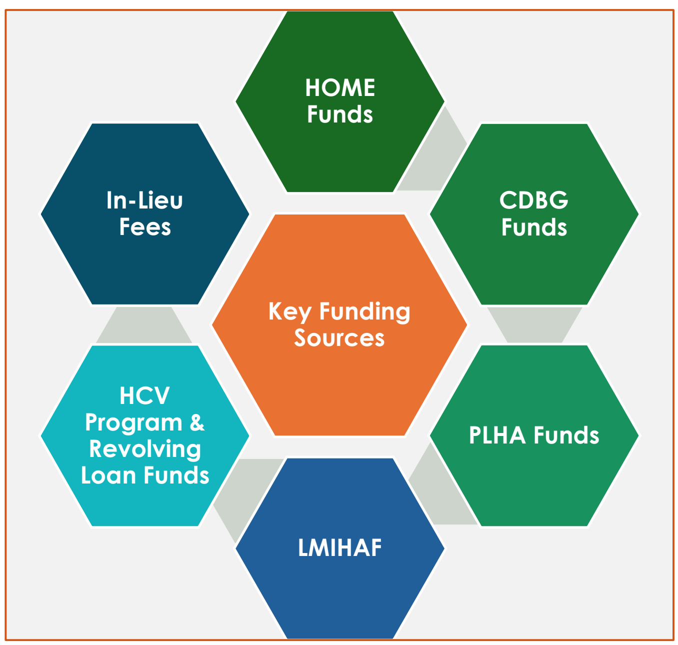
Recommended Implementation Actions:

It is recommended that the County proactively engage with a select group of investment funds, developers, lenders, and others focused on the affordable housing space to identify the desired community criteria, discuss how the County meets that criteria and understand what specific steps the County can take to engage private sector investment in affordable and Workforce housing. Attendance at one or two conferences focused on affordable housing investment may be an additional way to meet those in the industry, build relationships and market the County as a prime investment area. Key recommendations include:

1. Create a Public-Private Partnership Task Force to help further efforts in building relationships with private equity funding partners like those listed in the previous bullet.
2. Identify private funders 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).
3. Visit websites for each entity and review investment criteria and eliminate those where Santa Barbara County does not meet the criteria.
4. Reach out to each entity identified under action item 2 to schedule a meeting. County staff should prepare a presentation outlining demographics and other information related to the specific investment criteria of each entity. The County could also seek assistance from non-profit partners of the County who assist with the preservation and development of affordable housing to help research, reach out, and establish relationships with private equity firms.
5. Attend key conferences and events to market the Santa Barbara County area. Recommended conferences and events include: 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 (several held in various parts of California annually).

4.2 Funding Sources

The County leverages local, regional, state, and federal financial resources to support the Housing Element Update's goals and programs. It incentivizes affordable housing by providing loans and grants to developers through public funding programs. Additionally, the County uses these financial resources to acquire affordable housing units, offer rental assistance support services for Low-Income families and individuals, rehabilitate, and repair affordable housing, and conduct code enforcement.



** Funding sources listed above are those primarily used for the development and preservation of affordable housing in the County.*

Additional financial resources not currently utilized by the County to increase funding for the development and/or preservation of affordable housing are described below.

4.2.1 Private Equity and Investors

4.2.1.1 Case Studies

- **Langdon Capital** – the firm sources capital from several institutional firms, family offices and pension funds to make the purchases. Langdon purchased three (3) existing apartment complexes in Los Angeles County (Hollywood, Baldwin Hills, and West Covina). These projects were non-deed-restricted and were older and aging properties. Following the acquisitions, the firm invests several million in rehabilitation and repairs and records affordability covenants on the units.
- **Avanath Capital** – the firm acquires, owns, renovates, and operates affordable, and Workforce apartment communities by partnering with institutional investors – both domestically and internationally – to create affordable housing in major metropolitan and suburban markets. Avanath owns 15 rental projects in southern California. The criteria for selecting properties are strong demographic trends relative to job/population growth, are near employment and transportation centers, and have barriers to developing new supply.

4.2.2 Transient Occupancy Tax (TOT)

Counties have the authority to levy transient occupancy taxes on guests staying in accommodations located outside city boundaries, whereas cities impose this tax on guests staying within their city limits. Counties are empowered to establish their own rates for transient occupancy taxes. Any imposition, increase, or extension of this tax requires approval from voters. A direct correlation exists between the need for affordable housing and employees within the hospitality and tourism sectors. Given that many workers in these industries are likely to meet eligibility criteria for deed-restricted affordable housing, as opposed to market-rate options, it would be beneficial to dedicate a portion of this funding to ensure the preservation of the housing stock they may need to access.

The County detailed the Transient Occupancy Tax revenue in the 2023-2024 Recommended Budget as one of the County's largest discretionary revenue sources, having experienced strong growth over the 2022-23 FY, as travel to Santa Barbara increased. Transient Occupancy Tax revenue for FY 2023-24 was expected to increase by 15.8%, for a total estimated amount of $17.6 million. The County could consider dedicating a percentage of the current 12% Transient Occupancy Tax fee to the preservation of affordable housing.

Implementation Considerations:

Given that the County currently has a Transient Occupancy Tax established, the implementation action would be dedicating a portion of the Transient Occupancy Tax taxes collected specifically to the preservation of affordable housing, both deed-restricted and unrestricted units. A general framework for this would include:

1. Review the current Transient Occupancy Tax ordinance, including how funds are currently allocated and spent, and analyzing the effectiveness of existing spending practices. This will help to inform what percentage could be assumed for preservation activities and to help ensure that any proposed amendments comply with legal requirements and are enforceable.

2. Develop a draft amendment and plan for implementing the amended Transient Occupancy Tax ordinance, including processes for collecting and allocating Transient Occupancy Tax revenue according to the new requirements. Ensure that appropriate administrative procedures and oversight mechanisms are in place.

3. Present the proposed amendments to the County Board of Supervisors for consideration and approval.

The County is currently looking into a proposed increase of 2%, raising the rate from 12% to 14%. If approved by the County's Board of Supervisors, the proposal would go before County residents on the November 2024 general election ballot to vote on.

4.2.2.1 Case Studies

- **City of Healdsburg** - The city's current Transient Occupancy Tax stands at 14%. In 2004, voters approved a measure allocating 10% of the Transient Occupancy Tax for parks, recreation, and open space, with an additional 2% for public safety and the remaining 2% for affordable housing initiatives.
- **City of St. Helena** - The city has a 13% Transient Occupancy Tax rate in which 1% is earmarked specifically for affordable and Workforce housing programs and services, classified as a "special tax." All generated revenue is deposited into a separate account and not combined with other city funds.

4.2.3 Sales Tax

Sales tax measures are common in the State and have a good rate of success as visitors and tourists contribute to generating more sales tax revenue.

The County's 2023-24 Recommended Budget identified sales tax as one of the County's largest discretionary revenue sources. Revenues from sales tax were expected to increase by 5.9% over the FY 2022-23 Adopted Budget, estimated at a revenue of $15.1 million for FY 2023-24. This said growth is expected to stabilize and remain flat as a slowdown in consumer purchases is estimated based on estimated actual receipts from FY 2022-23. The County's current sales tax is 7.75%.

When a purchase is made within a city that is located in a county, the total sales tax rate is a combination of the state sales tax, the county sales tax, and the city sales tax. The rates are additive, not exclusive. California mandates a minimum state sales tax of 7.25%.

Counties, municipalities, and districts can raise the sales tax in their jurisdictions, but **the total rate cannot exceed 10.25%**. Consequently, local sales tax additions are capped at 3%. The following examples demonstrate the connectivity between state, county, and city sales tax:

- For a purchase made in unincorporated Santa Barbara County, the sales tax rate would be 7.75% (7.25% California + 0.50 % County).
- For a purchase made within the city of Santa Maria, the total sales tax rate would be 9.25% (7.25% California + 0.50% County + 1.50% Santa Maria).

Implementation Considerations:

The County can poll residents to determine support for increases in sales tax with the increased revenue received dedicated towards affordable and Workforce housing development and could consider raising the sales tax to be in alignment with that of cities like Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang (all with a tax rate of 8.75%), or the City of Carpinteria (with a tax rate of 9%).

If support is indicated, a fiscal impact analysis is recommended to project the amount of revenue that would be generated and what County resources would be utilized during the process leading up to a ballot measure and implementing the revenue management and expenditures.

Placement on the ballot requires Board of Supervisors approval. Additionally, there would be efforts by the County to provide information in the hopes of gaining voter support through community engagement.

4.2.3.1 Case Studies

- **Measure H, County of Los Angeles**
  Funding Source: 0.25% special transactions and use tax added to existing sales tax.
  Measure H, approved by voters in 2017 with a 69.4% approval, allowed Los Angeles County to impose a 0.25% special transactions and use tax on the gross receipts from the sale of personal property within the County's incorporated and unincorporated areas. Measure H began generating revenue in July 2017 and is projected to raise $355 million annually, totaling approximately $3.5 billion over 10 years. This revenue is supplemental to the expenditures of mainstream County departments and agencies on housing, programs, and services for the most vulnerable residents, including medical treatment at County public hospitals and direct benefits under the County’s General Relief program. Under the current measure, sales tax was raised from 9.25% to 9.5%. There is an effort underway to bring a new ballot measure in November that would seek to increase the special tax to 0.50%, resulting in a 9.75% sales tax.

- Measure W, Alameda County
  Funding Source: 0.5% sales tax increase
  Measure W introduced a half-cent (0.5%) sales tax increase, raising the overall sales tax rate in Alameda County to 10.25% in most areas, with some cities reaching 10.75% due to local taxes. Passed in November 2020, Measure W required a simple majority and was approved by voters to address homelessness and housing instability issues. This measure was expected to generate around $150 million annually, with the measure expiring in 2031. As a general tax, all revenues would be deposited into the County's General Fund, with revenues directed towards programs such as rapid rehousing, rental subsidies, emergency shelters, and permanent supportive housing. The allocation of funds is guided by the Home Together 2020 Plan, with oversight by a citizen committee to ensure appropriate use.

4.2.4 Bonds Secured with Property Taxes

Over the last five years, the lack of public resources available to fund affordable housing has resulted in the proposal or passage of bond measures to fund affordable housing. A bond is a loan that an investor (or bondholder) makes to an issuer (such as a city or county) in exchange for interest payments and repayment of the principal at a set time. This set time is called maturity and is typically 20 or 30 years. The bonds must be secured by a stream of reliable revenue, such as property taxes (i.e., the bonds are paid back with increased property taxes).

In California, a 2/3 vote is required to pass a bond issue of this type. As shown in the case studies below, to date the Bay Area jurisdictions have been more successful with affordable housing bond issues (Los Angeles County was successful with Measure HHH funded through increased sales taxes to fund housing for unhoused individuals and families). However, Santa Cruz and San Diego counties were unsuccessful in passing affordable housing bond measures over the past few years.

Case studies for two recent bond issues that have passed and one bond that will be placed on the November 2024 are provided below.

Implementation Considerations:

It is recommended that the County poll or survey County residents to determine support for increases in property tax with the increased revenue received dedicated towards affordable and Workforce housing development and preservation. Part of the survey/polling should be to determine the amount property owners would be agreeable to. If support is indicated, a projection of the amount of revenue that could be generated based on the poll/survey results should be completed to determine to impact such a tax would have in creating more affordable housing.

4.2.4.1 Case Studies

- Bond Measure KK, City of Oakland
  $600 million General Obligation Bond
  Funding Source – Property Taxes (additional voter-approved indebtedness)
  Oakland's Bond Measure KK, inspired by San Francisco's Small Sites Program (SSP), is a $600 million bond approved in 2016 for infrastructure improvements and affordable housing. Of the $100 million allocated for affordable housing preservation, $16.9 million was designated for the Acquisition 5+ unit program and $3 million for the Acquisition and Rehabilitation Program for buildings with up to four units. The 1-4 Unit Acquisition Program offers loans of up to $150,000 per unit to both nonprofit and for-profit developers for acquiring or rehabilitating small buildings, whether they are deed-restricted or unrestricted. For properties with existing subsidies, new owners must ensure all units are affordable for tenants earning at or below 60 percent of the Area Median Income. For unrestricted properties, newly available units must be affordable to households earning at or below 60 percent of Area Median Income until average rents are affordable to those earning 80 percent or less of Area Median Income. Similar to San Francisco's Small Sites Program, loans are awarded on a first-come, first-served basis. If two applications are received within two weeks, priority goes to properties with a high risk of tenant displacement or those in poor condition. The program mandates a 55-year affordability term, regardless of loan repayment. As of June 2023, funding through this bond measure has helped fund over 1,713 affordable housing units including the acquisition/conversion of 420 units to affordable units and the rehabilitation of 420 affordable units.

- Bond Measure A, City of San Francisco
  $300 million General Obligation Bond
  Funding Source – Property Taxes (additional voter-approved indebtedness)
  In 2024, Measure A was passed which allows the issuance of $300 million in bonds to construct, develop, acquire, or rehabilitate affordable housing, including constructing 46,598 Very Low- to Moderate-Income housing units by 2031 (the city's RHNA). The bonds are secured by authorizing a property tax increase (expected to be an average of $5.70 per $100,000 assessed value) through 2047 to repay the bonds. To avoid significant rent increases, Measure A allows landlords to pass through up to 50% of resulting property tax increases to tenants.

- Proposed Bond Measure, Association of Bay Area Governments
  Proposed $20 billion General Obligation Bond (November 2024 ballot)
  Proposed Funding Source – Property Taxes (additional voter-approved indebtedness)
  In 2024, the counties that make up the Association of Bay Area Governments voted to authorize the placement of a $20 billion regional housing bond on the November 2024 ballot to build and preserve approximately 72,000 new affordable homes. The

bonds would be secured through a property tax increase, estimated at $19 per $100,000 — or approximately $190 per year for a home with an assessed value of $1 million.

5 COUNTY ORDINANCES

4.1 Preservation Ordinance to Strengthen Efforts Beyond the Preservation Notice Law

California's Preservation Notice Law is a significant mechanism for safeguarding affordable housing statewide. Apart from offering prior notification of properties intending to leave the affordable housing sector, the law confers particular rights to local governments and designated potential buyers for the acquisition and preservation of such properties. In numerous aspects, the intricacies of this state law mirror exemplary approaches observed across the nation, where communities have enacted local preservation and anti-displacement laws featuring comparable notification obligations and purchase privileges.

Implementing guidelines that go beyond the state's Preservation Notice Law, can include ensuring a right of first offer and right of first refusal. The County currently implements a right of first refusal requirement under the Inclusionary housing ordinance program deed restrictions. Both right of first offer and right of first refusal provisions are commonly used in affordable housing initiatives to provide governmental entities, nonprofit organizations, or affordable housing developers with the opportunity to acquire or lease properties to create or preserve affordable housing units. These mechanisms help ensure that affordable housing opportunities are not lost to market-driven forces and that affordable housing goals are prioritized in property transactions.

Right of First Offer Guidelines

- The property owner would agree to notify the County and qualified non-profits before marketing the property to third parties.
- The qualified non-profit is allowed to make an initial offer or proposal to purchase or lease the property on specified terms.
- If the qualified non-profit declines to exercise its right to make an offer, the property owner is then free to negotiate with other potential buyers or lessees.

Right of First Refusal Guidelines

- In a right of first refusal scenario, the property owner agrees that if they receive an acceptable offer from a third party, they must give the qualified non-profit the option to match the terms of that offer before proceeding with the sale or lease to the third party.
- Essentially, the qualified non-profit has the right to step into the transaction on the same terms and conditions as the third-party offer, effectively preventing the sale or lease to the third party.
- If the qualified non-profit declines to match the offer, the property owner is then free to proceed with the sale or lease to the third party.

5.1.1 Case Studies

- **San Francisco's Community Option to Purchase Act (COPA)**

  Funding Source - $37 million initial investment (sources include general fund, housing bonds, housing trust fund, revolving loan funds, and grant monies). The program is sustained through the use of these funding sources in combination with private and philanthropic contributions.

  In the City of San Francisco, qualified non-profit organizations benefit from a right-to-buy statute known as the Community Option to Purchase Act (COPA), passed by the San Francisco Board of Supervisors in 2019. Between 2019 and 2023, the Community Option to Purchase Act program has helped to preserve 15 rental properties with 230 affordable housing units.

  Community Option to Purchase Act helps to prevent tenant displacement and preserve affordable housing by giving qualified non-profit organizations a right of first offer or right of first refusal to purchase certain housing properties listed for sale. The City also committed funding of $37 million ($375,000 per unit) to ensure that the properties can be purchased at fair market value. Specifically, properties are subject to the Community Option to Purchase Act if they meet either of the following criteria:

  - Developed properties with three or more residential units.
  - Vacant land, or properties currently under construction, with the capacity for three or more residential units.

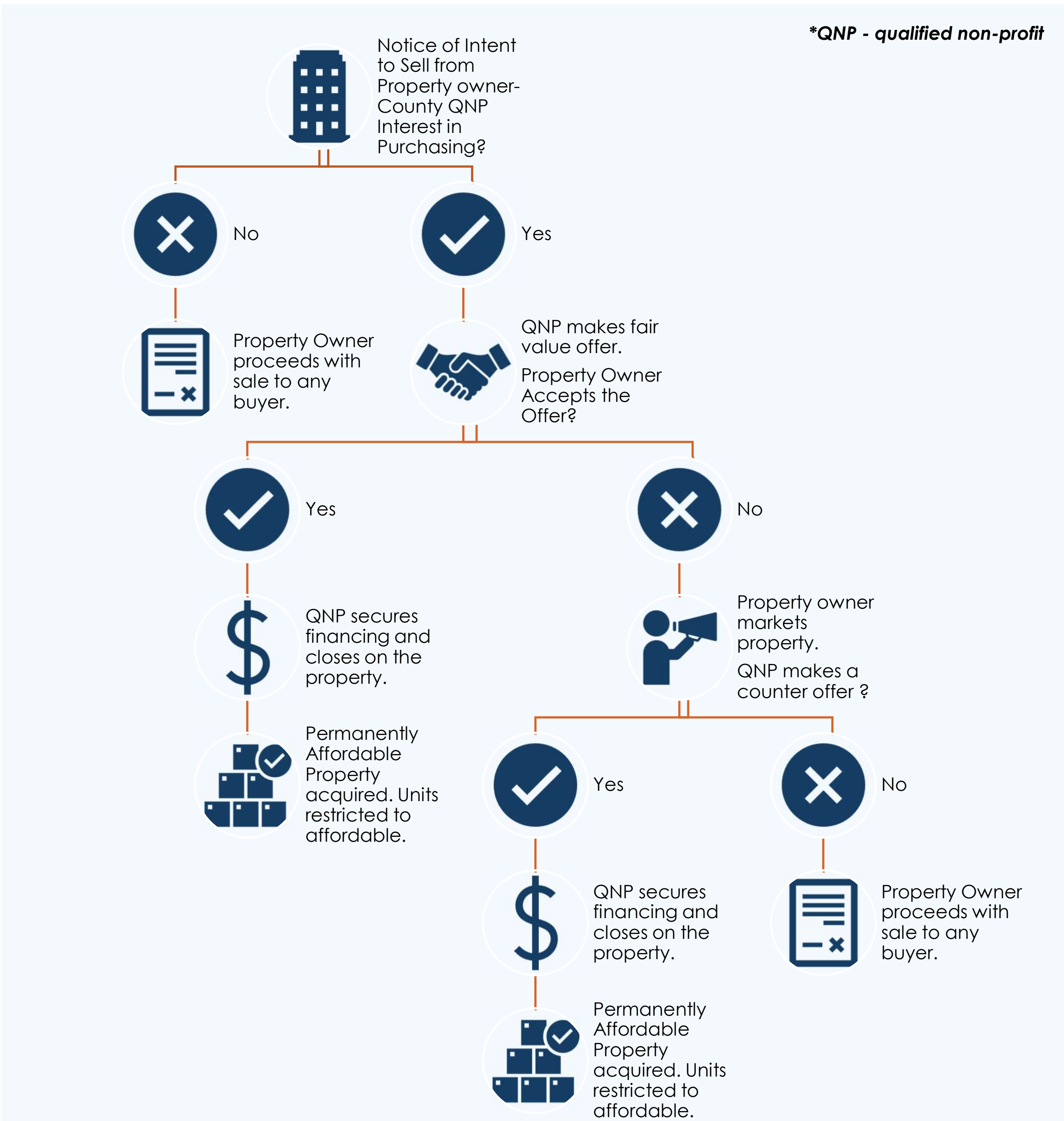
  This legislation was inspired, in large part, by the Washington D.C. Tenant Opportunity to Purchase Act (TOPA), which passed in 1980. Under the Tenant Opportunity to Purchase Act, multi-tenant property owners wishing to sell a property are required to give their tenants the right to refuse a sale and purchase the building. Tenants wishing to exercise this right of first refusal can initiate the process by forming a tenants' association, submitting a statement of interest and application, and securing funds within a set period of time. In this process, the majority of tenant's associations will collaborate with a non-profit or for-profit third-party developer and assign their Right of First Refusal to this developer entity.

  Similar to San Francisco's Community Option to Purchase Act, the Tenant Opportunity to Purchase Act was enacted to prevent displacement of Lower-Income tenants and preserve affordable housing units. However, one key difference between the two right-to-buy statutes is that San Francisco's Community Option to Purchase Act gives qualified non-profit organizations the right of first offer and right of first refusal on a property, while Washington D.C.'s Tenant Opportunity to Purchase Act gives this right to the tenants themselves.

Implementation Considerations:

The County could consider implementing a Community Option to Purchase Act Program, with a process similar to the following:

Figure 5: Community Option to Purchase Act Program Overview



It should be noted that utilizing the right of first refusal to safeguard property, whether it's provided by California's Preservation Notice Law or similar regulations elsewhere,

demands sufficient resources to purchase the property. The County would identify qualified nonprofit buyers who would be expected to secure financing, complete a real estate transaction, and effectively rehabilitate and manage the acquired property.

5.2 Incentives for Owners of Unrestricted Units in Return for Imposing Affordability Restrictions

As previously discussed in the section regarding unrestricted units, rents in these units are set by property owners based on market conditions, neighborhood demand, unit quality, and other factors, making them vulnerable to leaving the affordable housing market due to:

- Building obsolescence
- Market pressure
- Adequate unit quality

As these units age, substantial capital improvements are necessary to maintain quality. However, the low rents that make these units affordable also mean property owners often lack the funds for long-term maintenance. Even if improvements are made, they typically result in higher rents, making the units unaffordable for Low-Income renters. The County should consider offering resources to owners of unrestricted housing in exchange for a commitment to maintain affordability. This approach could incentivize owners to invest in building improvements and the preservation of naturally occurring affordable units.

Implementation Considerations:

Identify potential incentives that could be offered to owners of unrestricted units in exchange for imposing affordability restrictions. This could include financial incentives such as tax credits, grants, loans, or fee waivers, as well as non-financial incentives such as density bonuses, expedited permitting, or regulatory flexibility. The County could identify the unrestricted units within the County and target property owners for stakeholder engagement to help identify incentives that would encourage affordability conversion. Next would be to develop a policy framework for offering incentives to owners of unrestricted units in exchange for affordability restrictions, defining the eligibility criteria for participation, the types of units eligible for incentives, the duration and level of affordability the County would require, and the specific incentives available.

5.2.1.1 Case Studies

- <u>**Small Building Program, Washington, D.C.**</u>
  Funding Source – Specific contributions provided by the city annually are not known however funding does come from a combination of sources including District Government funds and the Housing Production Trust Fund
  The Small Buildings Program in Washington, D.C. is designed to support affordable housing by providing grants and loans for essential repairs in exchange for affordability commitments. This initiative highlights the importance of preserving

affordable housing in urban areas by assisting property owners in maintaining their buildings and ensuring long-term affordability for residents.

The Small Buildings Program offers grants for critical systems replacement and other necessary repairs. In return, property owners must agree to a five-year affordability covenant that limits rent and sets income eligibility criteria. To qualify, owners must earn no more than 120% of the Area Median Income and own no more than three rental properties. Eligible properties must have between five and twenty units, be at least 75% occupied, and ensure at least half of the units are affordable to households earning at or below 80% of the Area Median Income. Repair costs should not exceed $25,000 per unit or $200,000 per project.

Even if the grant is repaid or the property is sold, affordability restrictions remain in effect. Owners must submit annual tenant income certifications and undergo property inspections during the five-year period. Non-compliance or additional health hazards require repayment of the funds. The program, managed by the Preservation Unit of the District's Department of Housing and Community Development, also includes a property management course requirement for future participation. This initiative helps transition owners of unsubsidized housing to affordable housing providers, ensuring that necessary repairs are made to maintain property livability.

- **Affordable Accessory Dwelling Unit Loan Program, Napa County**
  Funding Source: $5 million from the County partnered with grant funding from CalHFA and technical assistance through Napa Sonoma Accessory Dwelling Units Center.
  Napa County launched an innovative and first-of-its-kind forgivable loan program for the construction of Accessory Dwelling Units in 2023. The program is designed to address the housing affordability crisis by encouraging the development of Accessory Dwelling Units, which are smaller, secondary housing units located on the same lot as a primary residence. The loans range from $45,000 to $105,000, depending on the size of the Accessory Dwelling Units, and are forgivable over a five-year period if the units are rented at below-market rates to households earning up to 80% of the Area Median Income. Additionally, the program leverages technical assistance and support from the Napa Sonoma Accessory Dwelling Units Center, which helps applicants through the planning, financing, and construction processes.

  The program was developed through a partnership involving the Napa Valley Community Foundation, Redwood Credit Union, the Napa Sonoma Accessory Dwelling Units Center, and consultants from LeSar Development. This collaborative approach has been crucial in designing and implementing the program. The program is primarily funded by the County, with the County Board of Supervisors allocating an initial $5 million to the program for the loans. Interested applicants are also able to apply for grant funding from the CalHFA Accessory Dwelling Units Grant to assist with predevelopment costs. The County also provides technical assistance through the Napa Sonoma Accessory Dwelling Units Center, which helps homeowners with planning, financing, and construction processes. The County's goal was to build 65-75 Accessory Dwelling Units, which would house 145-160 people. At the launch of the program, the County saw interest from fifty homeowners.

The County is also allocating an additional $1 million to a complementary program aimed at encouraging the construction of market-rate units. This initiative will provide participating homeowners with various forms of assistance, including a landlord matching program, streamlined permitting processes, feasibility studies, grants to cover loan fees and support from the Napa Sonoma Accessory Dwelling Units Center.

5.3 Short-Term Rental Ordinance

Currently, Short-Term Rentals are unregulated in the Coastal Areas of the County and permitted in Commercial and Special Purpose Zones in the Inland Area of the County. Short-Term Rentals can negatively impact affordable housing by reducing the long-term rental supply and increasing the loss of affordable units through illegal conversion to Short-Term Rentals. To mitigate these impacts, many jurisdictions implement regulations such as caps on the number of days a property can be rented short-term, requiring Short-Term Rentals to be owner-occupied, or imposing taxes and fees on Short-Term Rental operators. These measures aim to balance the benefits of Short-Term Rentals with the need to preserve affordable housing and maintain community stability.

Implementation Considerations:

The County's 6th Cycle Housing Element includes Program 19: Short Term Rentals in which it details the County's plan to amend zoning ordinances by including a Short-Term Rental Program for the Coastal Zone that balances the need for affordable recreational lodging and the preservation of housing for the local Workforce. As part of this program, the County could consider requiring annual registration of Short-Term Rentals, placing an annual cap on the number of unhosted nights per year, prohibiting Short-Term Rentals in residential areas of the Coastal Zone, requiring hosts to collect and remit hotel taxes, and/or grandfather in existing unregistered Short-Term Rentals and heavily prohibit new Short-Term Rental permits.

5.3.1.1 Case Studies

- **Los Angeles County** – The County allows Short-Term Rentals but has strict rules. Their ordinance limits Short-Term Rentals to registered primary residences, requires annual registration, limits the number of days to 90 in a calendar year in the primary residence rented without a host present overnight, and limits the number of guests allowed.
- **Monterey County** - Monterey County has various restrictions depending on the specific area. For example, the Big Sur Coast Land Use Plan area has very restrictive

regulations, limiting the number of Short-Term Rentals and imposing strict operational requirements.

- **Marin County** - Key provisions of the new ordinance recently approved by the Marin County Board of Supervisors in May 2024 include limiting individuals to operating one STR, imposing a cap of 1,281 STRs in unincorporated Marin County, and setting specific caps for 18 coastal communities. The regulations also restrict STRs in accessory dwelling units created after specific dates and limit the operation duration for STRs in multifamily dwellings or condominiums to two more years.
- **Santa Monica** - Santa Monica has some of the strictest regulations on Short-Term Rentals. The city prohibits rentals of entire units for less than 30 days unless the host lives on the property throughout the guest's stay. Hosts must also register with the city, collect, and remit hotel taxes, and comply with other regulatory requirements.
- **City of Oxnard** - Oxnard prohibits Short-Term Rentals in all residential zones. The city does not issue permits for STRs in these areas, making it effectively illegal to operate Short-Term Rentals in residential neighborhoods.

6 NEIGHBORHOOD REVITALIZATION PROGRAM

Nonprofit programs dedicated to neighborhood and housing revitalization play a crucial role in preserving affordable housing stock. These programs often focus on renovating existing properties, ensuring they remain habitable and affordable for Low- and Moderate-Income residents. By providing financial assistance, technical expertise, and community support, nonprofits can address critical maintenance and repair needs, preventing the displacement of current residents due to deteriorating housing conditions. Additionally, nonprofits frequently collaborate with local governments and other stakeholders to secure funding and implement policies that protect affordable housing from market pressures that could lead to its conversion to higher end uses.

In exploring ways to enhance affordable housing for the Workforce community in Santa Barbara County, including the unincorporated areas, Habitat for Humanity of Southern Santa Barbara County's Neighborhood Revitalization program was examined as a potential model. This program has demonstrated success in revitalizing communities by partnering with residents, local organizations, employers, and municipalities to address various housing needs. The analysis considered the program's structure, funding mechanisms, and community engagement strategies to determine how such a model could be effectively adapted and implemented in the unincorporated areas of Santa Barbara County. This evaluation provides initial findings for the development of initiatives that foster sustainable and inclusive community development to help further affordable housing for the Workforce population.

6.1 Habitat for Humanity Neighborhood Revitalization Program Overview

The Neighborhood Revitalization Program initiative aims to improve the quality of life for residents in underserved neighborhoods by addressing critical housing needs, enhancing neighborhood aesthetics, and fostering community engagement and empowerment. The program employs a multifaceted approach that encompasses various components, including:

Figure 6: Habitat for Humanity Neighborhood Revitalization Program Overview

Home Repair and Rehabilitation

- Habitat for Humanity assists Low Income homeowners in repairing and rehabilitating their properties, addressing issues such as structural deficiencies, safety hazards, and code violations, helping homeowners maintain safe and healthy living environments, preserve property values, and prevent displacement.

Community Beautification and Improvement Projects

- Community beautification projects aimed at enhancing the aesthetics and livability of neighborhoods inlcuding landscaping initiatives, street clean-ups, graffiti removal, and the installation of public amenities such as community gardens, parks, and playgrounds.

Affordable Housing Development

- Construction of new affordable housing units to address the shortage of affordable housing in the County. Homes built using sustainable and energy-efficient design principles and sold to eligible Low Income families through affordable homeownership programs.

Community Engagement and Capacity Building

- Collaboration with residents, community leaders, and local stakeholders to identify priorities, develop action plans, and implement revitalization projects. Examples include resident participation in decision-making processes, leadership development initiatives, and skills training programs.

It should be noted that Habitat for Humanity currently services only the South County portion of Santa Barbara County. Given that expansion into the North County area may be met with a timely process and requires legal considerations, the County should also look to enhance existing programs that service the North County area that can be enhanced with a neighborhood revitalization program similar to that of Habitat's program. An existing community program for consideration that services both the North County and South County area is CommUnify.

CommUnify is a nonprofit organization dedicated to enhancing the quality of life for individuals and families in Santa Barbara County. Their mission focuses on providing services that promote self-sufficiency, economic stability, and community well-being. CommUnify plays a vital role in Santa Barbara County by offering an array of services that address the needs of various populations, from young children to seniors. Their programs aim to enhance education, health, economic stability, and overall community well-being, making a significant impact on the lives of residents throughout the County.

- **Childrens Services**
  - Early Head Start, Head Start, Lunch and Snack Programs, Family Child Care
- **Community Services**
  - Weatherization Services, Utility Payment Assistance, Senior Home Repair, Family Self-Sufficiency Program, Economic Empowerment and Financial Literacy, 2-1-1 Santa Barbara County
- **Family and Youth Services**
  - Educational Support, Youth Parenting Support, Los Compadres Youth Mentoring, Behavioral Health Support, South Coast Youth Safety Partnership

CommUnify Services Provided

To expand neighborhood revitalization services to the North County portion of Santa Barbara through the use of CommUnify, the County would need to work with CommUnify to address the following considerations:

- **Leveraging CommUnify's Existing Community Services** –The County would need to work with CommUnify to identify what existing Community Services offered could be enhanced (i.e. expanding Weatherization and Senior Home Repair services), leveraging these services and existing partnerships to help build out services to offer more to the Community in the way of neighborhood revitalization.
- **County Provided Resources** – The County would need to work with CommUnify staff to identify anticipated funding, staffing, and partnerships needed to successfully expand existing services and implement new ones.

  Feasibility and Further Expansion – The County could work with CommUnify to launch a pilot program for the new services being provided in selected communities to test the service model, making adjustments as needed. Based on the pilot results, the County would work with CommUnify to roll it out on a wider scale across North County.

6.2 Nationwide Programs that Provide Workforce Communities with Neighborhood Revitalization Services

Table 10 – Nationwide Programs

Program	Description	Key Features	Requirements for Implementation in Santa Barbara County
Rebuilding Together	Rebuilding Together offers a program aimed at providing critical home repairs and modifications to create safe and healthy living environments.	• Focus on Low-Income homeowners, including Workforce communities. • Volunteer-driven repairs and modifications. • Partnerships with local businesses and organizations for resources and funding.	• **Local Chapter Formation**: County staff would work with the organization to establish a local chapter of Rebuilding Together in Santa Barbara County. • **Volunteer Mobilization**: Identify stakeholders in the community who could assist in the recruitment and training of volunteers for home repair projects. • **Project Identification**: Work with local communities in Unincorporated County to identify homes in need of repair and prioritize based on need.
NeighborWorks America	NeighborWorks America collaborates with local organizations to offer housing rehabilitation programs that assist working families with home repairs and improvements.	• Grants and low-interest loans for home repairs. • Homeownership education and counseling. • Community revitalization projects that improve neighborhood infrastructure.	• **Establish a Local Affiliation**: Apply to become a NeighborWorks affiliate or partner with an existing affiliate in nearby areas. Form a dedicated team to manage NeighborWorks programs in Santa Barbara County. • **Training Programs**: Implement training programs for local residents on homeownership and financial literacy. • **Affordable Housing Projects**: Develop and manage affordable housing projects, leveraging NeighborWorks America's expertise.
United Way	United Way offers various housing stability programs aimed at helping working families achieve and maintain safe and affordable housing.	• Emergency financial assistance for housing-related expenses. • Home repair programs to ensure safety and habitability. • Support services such as financial literacy	• **Program Expansion**: Collaborate with United Way of Santa Barbara County to expand their initiatives to unincorporated areas. • **Community Needs Analysis**: Conduct a thorough analysis to identify the most pressing housing-related needs to match programs to.

Program	Description	Key Features	Requirements for Implementation in Santa Barbara County
		and case management.	• **Grant Distribution**: Provide grants to local organizations working on housing preservation and affordability.
[Operation Homefront's Transitional Housing Program]()	Operation Homefront provides transitional housing and supportive services to military families, including Workforce populations transitioning to civilian life.	• Transitional housing with supportive services. • Home repair and renovation assistance. • Focus on building financial stability and homeownership skills.	• **Needs Assessment**: Identify and reach out to veterans in need of transitional housing. • **Branch Development**: Coordinate with Operation Homefront and chapters currently in the County to determine if Unincorporated County areas are currently being served and if not, establish a branch to serve those areas. • **Support Services**: Identify stakeholders in the Community who can help provide resources to be able to offer comprehensive support services, including job training, counseling, and financial assistance, to help veterans transition to permanent housing.

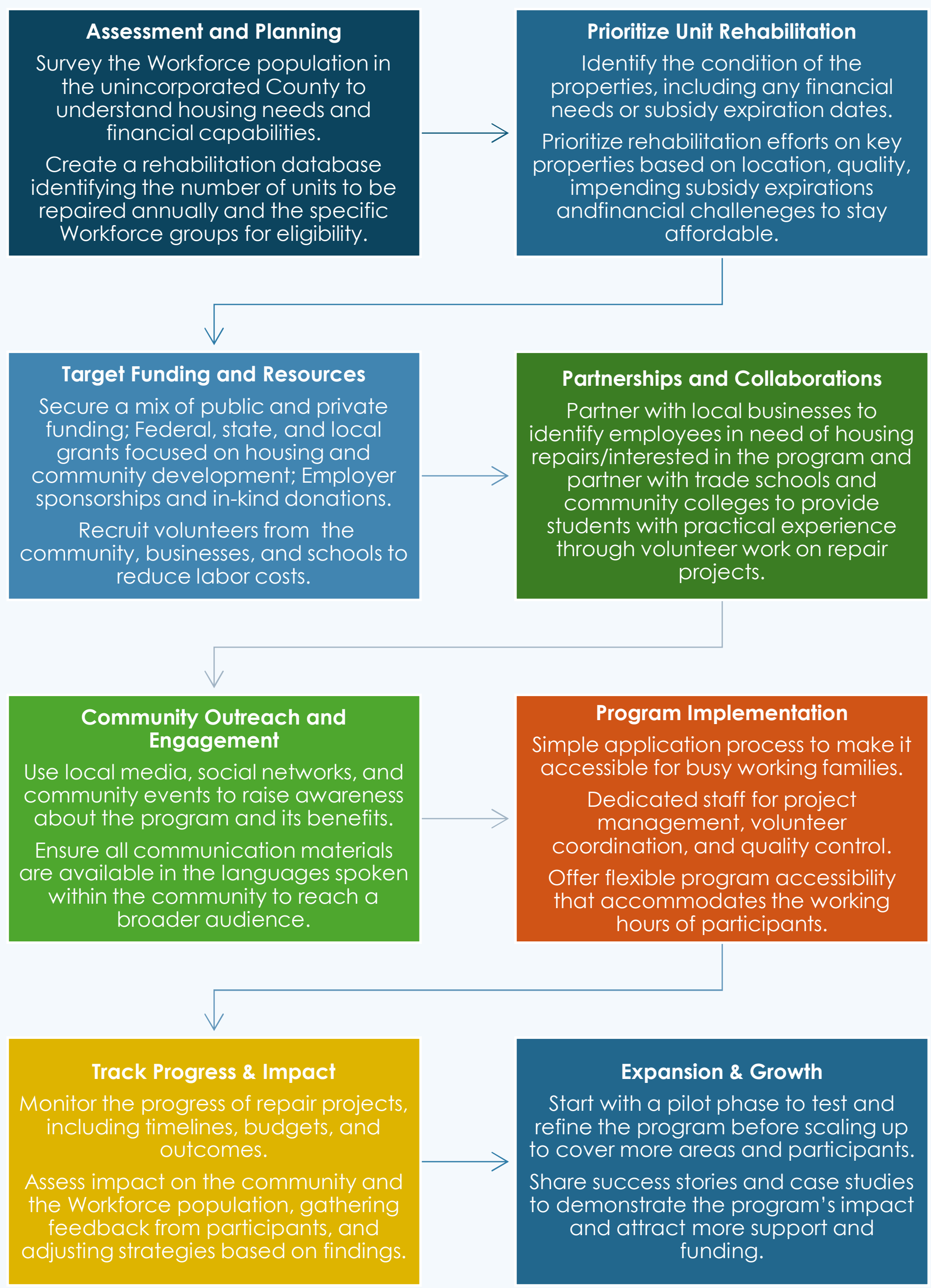
As part of the implementation process for any new program, it will be important for the County to launch pilot projects in targeted communities, starting with the most underserved first, and gradually expand countywide. The County will also want to use local media, social media, and community events to raise awareness and engage residents, ensuring continuous community engagement and feedback throughout the implementation process. Program evaluation and monitoring will be key in determining program success and adjustments to help increase efficacy.

It should be noted that while a neighborhood revitalization program offers significant benefits by supporting housing preservation and development efforts, it demands substantial staffing, time, and resources from the County, making it one of the more intensive preservation strategies available. To manage this workload, the County could mobilize non-profit developers, leveraging their expertise and resources to assist with the complex tasks involved. This collaboration would help distribute the effort, ensuring the program's success while easing the burden on County resources.

6.3 How a Neighborhood Revitalization Program Can Help Address Challenges Faced by the Workforce Housing Population in Santa Barbara County

In the unincorporated County area of Santa Barbara County, the Workforce population may face various housing challenges including affordability, inadequate housing conditions, and limited access to essential services. The County can help address these issues by working to expand access and reach of programs like the Neighborhood Revitalization Program.

Figure 7: Neighborhood Revitalization Program Implementation Considerations:



PRESERVATION STRATEGIES: NEIGHBORHOOD REVITALIZATION

Expanding a Neighborhood Revitalization Program to an unincorporated area of a county can present several challenges including:

- Lack of infrastructure, community services, and limited public services.
- Limited funding and resource allocation.
- Complex zoning regulations and permitting processes.
- Challenges for achieving robust community engagement and property owner awareness of program benefits.
- Transportation and accessibility challenges.

Provided below are example initiatives to implement as part of an established Neighborhood Revitalization Program, **helping to counter the challenges referenced above.**

Figure 8: Neighborhood Revitalization Program – Example Initiatives to Implement

Transitional and Permanent Workforce Housing Units - Housing units stationed in different unincorporated areas providing temporary or permanent housing solutions. **Implement under Housing Element Program 6: Housing for Farmworkers and Other Employees.**

Partnerships with Local Employers - Partnering with employers to promote homeownership and housing assistance programs as part of the employee benefits package. **Implement under Housing Element Program 6: Housing for Farmworkers and Other Employees.**

Skill Development Workshops - Workshops and training programs focused on home repair, maintenance, and construction skills to improve living conditions. **Implement under Housing Element Program 20: Housing Rehabilitation**.

Outreach and Education - Outreach programs to raise awareness in the broader Workforce population, communtiy, and property owner/developer communtiy about available housing resources and how individuals can access them. **Implement under Housing Element Program 6: Housing for Farmworkers and Other Employees.**

Accessible Housing Design - Design and construct housing units with accessibility features to accommodate individuals with disabilities or special needs within the Workforce population. **This should be implemented as part of the County's design standards adressing ADA development guidelines.**

Transportation Solutions - Integration of housing developments near the closest public transportation routes or working to provide shuttle services within unincorporated areas to employment hubs. **Implement under Housing Element Program 25: Lower-Income Community Revitalization and implement under the Active transportation Plan.**

Green Building Initiatives - Incorporate sustainable and energy-efficient building practices into housing projects to reduce utility costs for residents and promote environmental stewardship. This also may help to counter the lack of infrastructure. **Implement under Housing Element Program 25: Lower- Income Community Revitalization and implement under the ENvironmental Justice Element.**

Resident Owned Housing Communties - Work with Habitat for Humanity to develop a pilot program with the goal of assisting homeowners in forming a resident-owned housing communtiy specifcially for Workforce housing with a local preference. **Implement under Housing Element Program 21: Local Preference.**

7 DISCLAIMER

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

Rental Proforma – Elements Apartments

Feasibility Analysis - Rental Prototype								
	100% @ Market-Rate				Proposed (20%)			
Gross Income								
Market-Rate	# Units	$/Month	Utility	Annual	# Units	$/Month	Utility	Annual
Studio	10	$1,800	-	$216,000	8	$1,800	-	$172,800
One Bedroom	28	$2,341	-	$786,576	22	$2,341	-	$618,024
Two Bedroom	10	$2,850	-	$342,000	8	$2,850	-	$273,600
Three Bedroom	119	$3,622	-	$5,172,216	95	$3,622	-	$4,129,080
Total	167		-	$6,516,792	133			$5,193,504
Inclusionary Affordable Units								
Studio @ Very Low	-	-	-	-	1	$1,424	$169	$15,064
Studio @ Low	-	-	-	-	1	$1,800	$169	$19,576
Studio @ Moderate	-	-	-	-	1	$1,800	$169	$19,576
Studio @ "Missing Middle"					1	$1,800	$169	$19,576
One Bedroom @ Very Low	-	-	-	-	1	$1,626	$209	$17,008
One Bedroom @ Low	-	-	-	-	1	$2,341	$209	$25,588
One Bedroom @ Moderate	-	-	-	-	1	$2,341	$209	$25,588
One Bedroom @ "Missing Middle"					1	$2,341	$209	$25,588
Two Bedroom @ Very Low	-	-	-	-	1	$1,830	$248	$18,984
Two Bedroom @ Low	-	-	-	-	1	$2,850	$248	$31,224
Two Bedroom @ Moderate	-	-	-	-	1	$2,850	$248	$31,224
Two Bedroom @ "Missing Middle"					1	$2,850	$248	$31,224
Three Bedroom @ Very Low	-	-	-	-	6	$2,033	$301	$124,728
Three Bedroom @ Low	-	-	-	-	6	$3,259	$301	$213,000
Three Bedroom @ Moderate					6	$3,275	$301	$214,152
Three Bedroom @ "Missing Middle"	-	-	-	-	6	$3,622	$301	$239,136
Total					36			$1,071,236
Add: Other Income		$35	/unit/month	$69,600		$35	/unit/month	$69,600
Total Gross Income				*$6,586,392*				*$6,334,340*
Effective Gross Income								
(Less) Vacancy		5.5%	of gross income	($362,252)		5.5%	of gross income	($348,389)
Effective Gross Income				*$6,224,140*				*$5,985,951*
Expenses								
(Less) Operating Expenses		$6,298	/unit/year	($1,051,767)		$6,298	/unit/year	($1,051,767)
(Less) Property Taxes		$3,109	/unit/year	($519,216)		$3,109	/unit/year	($519,216)
Total Expenses		$9,407	/unit/year	($1,570,983)		$9,407	/unit/year	(1,570,983)
Net Operating Income (NOI)				$4,653,158				$4,414,968
Cap Rate		5.0%	*cap rate*	$93,063,153		5.0%	*cap rate*	$88,299,370
Development Cost (without land)				($82,002,522)				($82,002,522)
Residual Land Value				**$11,060,631**				**$6,296,848**
Per Unit				$66,231				$37,706
Per Acre				***$2,724,293***				***$1,550,948***
Market Land Value								
Per Unit				$21,607				$21,607
Per Acre				***$888,744***				***$888,744***
% (RLV vs. MLV)				***207%***				***75%***
	FEASIBLE				**FEASIBLE**			

5% Very Low
5% Low
5% Moderate
5% Missing Middle

Ownership Proforma - Meadowview Duet Homes at Rice Ranch

Feasibility Analysis - Ownership Prototype									
				Inclusionary Scenarios					
	100% @ Market-Rate			Existing (15%)			5% Moderate, 5% Missing Middle (160% of AMI)		
Gross Sale Proceeds									
Market-Rate	# Units	$/unit	Total	# Units	$/unit	Total	# Units	$/unit	Total
Total	52	$812,000	$42,224,000	44	$812,000	$35,728,000	46	$812,000	$37,352,000
Affordable									
Very Low (4-Person Household)	-	-	-	1	$101,320	$101,320			
Low (4-Person Household)	-	-	-	1	$336,989	$336,989			
Moderate (4-Person Household)				3	$403,715	$1,211,146	3	$403,715	$1,211,146
Missing Middle (4-Person Household)	-	-	-	3	$727,452	$2,182,356	3	$727,452	$2,182,356
Total	-	-	-	8		$3,831,809	6		$3,393,501
Total			$42,224,000			$39,559,809			$40,745,501
(Less) Cost of Sale	3%	of value	($1,266,720)	3%	of value	($1,186,794)	3%	of value	($1,222,365)
(Less) Target Developer Profit	18%	of value	($7,600,320)			($7,600,320)			($7,600,320)
Net Sale Proceeds			$33,356,960			$30,772,695			$31,922,816
(Less) In-Lieu Fees			($161,460)			-			-
(Less) Development Costs			($26,973,968)			($26,973,968)			($26,973,968)
Residual Land Value			**$6,221,532**			**$3,798,727**			**$4,948,848**
Per Unit			$119,645			$73,052			$95,170
Per Acre			***$686,703***			***$419,286***			***$546,230***
Market Land Value									
Per Unit			$8,664			$8,664			$8,664
Per Acre			***$450,513***			*$450,513*			***$450,513***
% (RLV vs MLV)			***52%***			*-7%*			***21%***
	FEASIBLE			NOT FEASIBLE			FEASIBLE		

2.50%	Very Low
2.50%	Low
5%	Moderate
5%	Workforce

Assumptions

5%	Moderate
5%	Missing Middle (160% of AMI)

Proforma Summary

	South Coast HMA		Lompoc HMA		Santa Ynez HHMA			
	Galileo Pisa Apartments		Constellation Apartments		Wildwood Apartments			
	100% Market Rate	4% Very Low, 4% Low, 4% Mod., 4% Missing Middle	100% Market Rate	4% Very Low, 4% Low, 4% Mod., 4% Missing Middle	100% Market Rate	10% Very Low (SB330 Scenario A)	13% Low (SB330 Scenario B)	4% Very Low, 4% Low, 4% Mod., 4% Missing Middle
Product Type	Rental Apartments		Rental Apartments		Rental Apartments			
# of Units	27	27	60	60	100	100	100	100
Studio	0	0	0	0	0	0	0	0
1 Bedroom	0	0	24	24	24	24	24	24
2 Bedroom	27	27	36	36	66	66	66	66
3 Bedroom	0	0	0	0	10	10	10	10
Average Unit Size	905	905	1,028	1,028	975	975	975	975
Stories	3	3	3	3	3	3	3	3
Units/Acre (Density)	17	17	23	23	18	18	18	18
Net Operating Income [1]	$774,108	$722,609	$1,230,781	$1,184,169	$2,067,347	$1,991,969	$1,995,093	$2,000,911
Fair Market Value [2]	$15,960,996	$14,899,151	$23,443,440	$22,555,593	$41,764,584	$40,241,801	$40,304,904	$40,422,454
Development Costs[3]	($10,544,198)	($10,544,198)	($20,660,071)	($20,660,071)	($34,591,077)	($34,591,077)	($34,591,077)	($34,591,077)
Residual Land Value per Acre[4]	$3,343,703	$2,688,242	$1,052,313	$716,644	$1,316,240	$1,036,830	$1,048,409	$1,069,977
Market Land Value per Acre [5]	$2,119,082	$2,119,082	$334,884	$334,884	$810,070	$810,070	$810,070	$810,070
% Residual Exceeds Market Land Value per Acre	**58%**	**27%**	**214%**	**114%**	**62%**	**28%**	**29%**	**32%**
	FEASIBLE	***FEASIBLE***	***FEASIBLE***	***FEASIBLE***	***FEASIBLE***	***FEASIBLE***	***FEASIBLE***	***FEASIBLE***

1 - Rental income and other income minus operating expenses and vacancy.

2 - NOI divided by Yield on Cost, which is based on the capitalization rate identified in each submarket, per Costar (the ratio between the NOI and the fair market value of a property. Used to calculate the fair market value.

3 - Calculated using Marshall & Swift Construction Cost Index (a CoreLogic product) with two sets of location multipliers applied - as of January 2025.

4 - Residual land value calculated as Fair Market Value minus Development Costs

5 - Market land value for South Coast, Lompoc, and Santa Ynez HMAs estimated based on recent, comparable land sales in the Eastern Goleta Valley, Lompoc/Vandenberg Village, and Solvang/Santa Ynez submarkets, respectively.

SOUTH COAST HMA PROTOTYPE

Galileo Pisa

Gross Income	**100% Market Rate Scenario**						**Inclusionary Scenario: 4% Very Low, 4% Low, 4% Moderate, 4% Missing Middle**					
	Unit Count	**Average Unit Size**	**Rent per Square Foot**	**$/Month**	**Utility Allowance**	**Annual**	**Unit Count**	**Average Unit Size**	**Rent per Square Foot**	**$/Month**	**Utility Allowance**	**Annual**
Market-Rate												
Studio	0	-	-	-	-	-	-	-	-	-	-	-
One Bedroom	0	-	-	-	-	-	-	-	-	-	-	-
Two Bedroom	27	905	$3.70	$3,349	-	$1,084,914	23	905	$3.70	$3,349	-	$924,186
Three Bedroom	0	-	-	-	-	-	-	-	-	-		-
Total	27					$1,084,914	23					$924,186
Affordable Units												
Studio @ Very Low	-			-	-	-						
Studio @ Low	-			-	-	-						
Studio @ Moderate	-			-	-	-						
One Bedroom @ Very Low	-			-	-	-						
One Bedroom @ Low	-			-	-	-						
One Bedroom @ Moderate	-			-	-	-						
Two Bedroom @ Very Low	-			-	-	-	1	905		$1,830	$248	$18,984
Two Bedroom @ Low	-			-	-	-	1	905		$2,010	$248	$21,144
Two Bedroom @ Moderate	-			-	-	-	1	905		$2,680	$248	$29,184
Two Bedroom @ Missing Middle							1	905		$3,349	$248	$37,206
Three Bedroom @ Very Low	-			-	-	-						
Three Bedroom @ Low	-			-	-	-						
Three Bedroom @ Moderate	-			-	-	-						
Total	0					$0	4					$106,518
Add: Other Income (Residential)				$129	/unit/month	$41,755				$129	/unit/month	$41,755
Total Gross Income						$1,126,669						$1,072,459
(Less) Vacancy - Residential				5.00%	of gross income	($56,333)				5.00%	of residential income	($53,623)
Effective Gross Income						*$1,070,336*						*$1,018,836*
Expenses												
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	(174,404)				$6,459	/unit/year	($174,404)
(Less) Property Taxes				$4,512	/unit/year	($121,824)				$4,512	/unit/year	($121,824)
Total Annual Expenses				$10,971		(296,228)				$10,971		(296,228)
Net Operating Income (NOI)						$774,108						$722,609
Yield on Cost				4.85%	*Cap Rate*	$15,960,996				4.85%	*Cap Rate*	$14,899,151
Development Cost (without land)						($10,544,198)						($10,544,198)
Residual Land Value						**$5,416,798**						**$4,354,953**
Per Unit						$200,622						$161,295
Per Acre						***$3,343,703***						***$2,688,242***
Market Land Value												
Per Acre						*$2,119,082*						*$2,119,082*
% (RLV vs. MLV)						*58%*						*27%*
	FEASIBLE						**FEASIBLE**					

Units	27
Acres	1.62

LOMPOC HMA PROTOTYPE

Constellation Apartments

Gross Income	100% Market Rate Scenario						Inclusionary Scenario: 4% Very Low, 4% Low, 4% Moderate, 4% Missing Middle					
	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual
Market-Rate												
Studio	-	-	-	-	-	-	-	-	-	-	-	-
One Bedroom	24	815	$2.55	$2,078	-	$598,536	20	815	$2.55	$2,078	-	$498,780
Two Bedroom	36	1,170	$2.29	$2,679	-	$1,157,458	32	1,170	$2.29	$2,679	-	$1,028,851
Three Bedroom	-	-	-	-	-	-	-	-	-	-	-	-
Total	60					$1,755,994	52					$1,527,631
Affordable Units												
Studio @ Very Low												
Studio @ Low												
Studio @ Moderate												
One Bedroom @ Very Low							1			$1,626	$209	$17,008
One Bedroom @ Low							1			$1,787	$209	$18,940
One Bedroom @ Moderate							1			$2,078	$209	$22,435
One Bedroom @ Missing Middle							1			$2,078	$209	$22,435
Two Bedroom @ Very Low							1			$1,830	$248	$18,984
Two Bedroom @ Low							1			$2,010	$248	$21,144
Two Bedroom @ Moderate							1			$2,679	$248	$29,176
Two Bedroom @ Missing Middle							1			$2,679	$248	$29,176
Three Bedroom @ Very Low												
Three Bedroom @ Low												
Three Bedroom @ Moderate												
Total	0					$0	8					$179,297
Add: Other Income (Residential)				$129	/unit/month	$92,790				$129	/unit/month	$92,790
Total Gross Income						$1,848,784						$1,799,718
(Less) Vacancy - Residential				5.00%	of gross income	($92,439)				5.00%	of residential income	($89,986)
Effective Gross Income						*$1,756,344*						*$1,709,732*
Expenses												
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	(387,564)				$6,459	/unit/year	($387,564)
(Less) Property Taxes				$2,300	/unit/year	($138,000)				$2,300	/unit/year	($138,000)
Total Annual Expenses				$8,759		(525,564)				$8,759		(525,564)
Net Operating Income (NOI)						$1,230,781						$1,184,169
Yield on Cost				5.25%	*Cap Rate*	$23,443,440				5.25%	*Cap Rate*	$22,555,593
Development Cost (without land)						($20,660,071)						($20,660,071)
Residual Land Value						**$2,783,369**						**$1,895,522**
Per Unit						$46,389						$31,592
Per Acre						***$1,052,313***						***$716,644***
Market Land Value												
Per Acre						*$334,884*						*$334,884*
% (RLV vs. MLV)						*214%*						*114%*
	FEASIBLE						**FEASIBLE**					

Units	60
Acres	2.645

SANTA YNEZ HMA PROTOTYPE

Wildwood Apartments

Gross Income	100% Market Rate Scenario					
	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual
Market-Rate						
Studio	0	-	-	-	-	-
One Bedroom	24	700	$2.24	$1,568	-	$451,584
Two Bedroom	66	1,025	$2.63	$2,696	-	$2,135,034
Three Bedroom	10	1,300	$2.51	$3,263	-	$391,560
Total	100					$2,978,178
Affordable Units						
Studio @ Very Low						
Studio @ Low						
Studio @ Moderate						
Studio @ Missing Middle						
One Bedroom @ Very Low						
One Bedroom @ Low						
One Bedroom @ Moderate						
One Bedroom @ Missing Middle						
Two Bedroom @ Very Low						
Two Bedroom @ Low						
Two Bedroom @ Moderate						
Two Bedroom @ Missing Middle						
Three Bedroom @ Very Low						
Three Bedroom @ Low						
Three Bedroom @ Moderate						
Three Bedroom @ Missing Middle						
Total	0					$0
Add: Other Income (Residential)				$129	/unit/month	$154,650
Total Gross Income						$3,132,828
(Less) Vacancy - Residential				5.00%	of gross income	($156,641)
Effective Gross Income						*$2,976,186*
Expenses						
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	(645,940)
(Less) Property Taxes				$2,629	/unit/year	($262,900)
Total Annual Expenses				$9,088		(908,840)
Net Operating Income (NOI)						$2,067,347
Yield on Cost				4.95%	*Cap Rate*	$41,764,584
Development Cost (without land)						($34,591,077)
Residual Land Value						**$7,173,507**
Per Unit						$71,735
Per Acre						***$1,316,240***
Market Land Value						
Per Acre						*$810,070*
% (RLV vs. MLV)						*62%*
			FEASIBLE			

Gross Income	SB330 Scenario A: 10% Very Low					
	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual
Market-Rate						
Studio	-	-	-	-	-	-
One Bedroom	19	700	$2.24	$1,568	-	$357,504
Two Bedroom	61	1,025	$2.63	$2,696	-	$1,973,289
Three Bedroom	10	1,300	$2.51	$3,263	-	$391,560
Total	90					$2,722,353
Affordable Units						
Studio @ Very Low						
Studio @ Low						
Studio @ Moderate						
Studio @ Missing Middle						
One Bedroom @ Very Low	5			$1,568	$209	$81,560
One Bedroom @ Low						
One Bedroom @ Moderate						
One Bedroom @ Missing Middle						
Two Bedroom @ Very Low	5			$1,830	$248	$94,920
Two Bedroom @ Low						
Two Bedroom @ Moderate						
Two Bedroom @ Missing Middle						
Three Bedroom @ Very Low						
Three Bedroom @ Low						
Three Bedroom @ Moderate						
Three Bedroom @ Missing Middle						
Total	10					$176,480
Add: Other Income (Residential)				$129	/unit/month	$154,650
Total Gross Income						$3,053,483
(Less) Vacancy - Residential				5.00%	of residential income	($152,674)
Effective Gross Income						*$2,900,809*
Expenses						
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	($645,940)
(Less) Property Taxes				$2,629	/unit/year	($262,900)
Total Annual Expenses				$9,088		(908,840)
Net Operating Income (NOI)						$1,991,969
Yield on Cost				4.95%	*Cap Rate*	$40,241,801
Development Cost (without land)						($34,591,077)
Residual Land Value						**$5,650,724**
Per Unit						$56,507
Per Acre						***$1,036,830***
Market Land Value						
Per Acre						*$810,070*
% (RLV vs. MLV)						*28%*
			FEASIBLE			

Gross Income	SB330 Scenario B: 13% Low					
	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual
Market-Rate						
Studio	-	-	-	-	-	-
One Bedroom	16	700	$2.24	$1,568	-	$301,056
Two Bedroom	61	1,025	$2.63	$2,696	-	$1,973,289
Three Bedroom	10	1,300	$2.51	$3,263	-	$391,560
Total	87					$2,665,905
Affordable Units						
Studio @ Very Low						
Studio @ Low						
Studio @ Moderate						
Studio @ Missing Middle						
One Bedroom @ Very Low						
One Bedroom @ Low	8			$1,568	$209	$130,496
One Bedroom @ Moderate						
One Bedroom @ Missing Middle						
Two Bedroom @ Very Low						
Two Bedroom @ Low	5			$2,010	$248	$105,720
Two Bedroom @ Moderate						
Two Bedroom @ Missing Middle						
Three Bedroom @ Very Low						
Three Bedroom @ Low						
Three Bedroom @ Moderate						
Three Bedroom @ Missing Middle						
Total	13					$236,216
Add: Other Income (Residential)				$129	/unit/month	$154,650
Total Gross Income						$3,056,771
(Less) Vacancy - Residential				5.00%	of residential income	($152,839)
Effective Gross Income						*$2,903,932*
Expenses						
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	($645,940)
(Less) Property Taxes				$2,629	/unit/year	($262,900)
Total Annual Expenses				$9,088		(908,840)
Net Operating Income (NOI)						$1,995,093
Yield on Cost				4.95%	*Cap Rate*	$40,304,904
Development Cost (without land)						($34,591,077)
Residual Land Value						**$5,713,827**
Per Unit						$57,138
Per Acre						***$1,048,409***
Market Land Value						
Per Acre						*$810,070*
% (RLV vs. MLV)						*29%*
			FEASIBLE			

Gross Income	Inclusionary Scenario: 4% VL, 4% Low, 4% Mod. 4% Missing Middle					
	Unit Count	Average Unit Size	Rent per Square Foot	$/Month	Utility Allowance	Annual
Market-Rate						
Studio	-	-	-	-	-	-
One Bedroom	14	700	$2.24	$1,568	-	$263,424
Two Bedroom	60	1,025	$2.63	$2,696	-	$1,940,940
Three Bedroom	10	1,300	$2.51	$3,263	-	$391,560
Total	84					$2,595,924
Affordable Units						
Studio @ Very Low						
Studio @ Low						
Studio @ Moderate						
Studio @ Missing Middle						
One Bedroom @ Very Low	3			$1,568	$209	$48,936
One Bedroom @ Low	2			$1,568	$209	$32,624
One Bedroom @ Moderate	3			$1,568	$209	$48,936
One Bedroom @ Missing Middle	2			$1,568	$209	$32,624
Two Bedroom @ Very Low	1			$1,830	$248	$18,984
Two Bedroom @ Low	2			$2,010	$248	$42,288
Two Bedroom @ Moderate	1			$2,680	$248	$29,184
Two Bedroom @ Missing Middle	2			$2,696	$248	$58,746
Three Bedroom @ Very Low						
Three Bedroom @ Low						
Three Bedroom @ Moderate						
Three Bedroom @ Missing Middle						
Total	16					$312,322
Add: Other Income (Residential)				$129	/unit/month	$154,650
Total Gross Income						$3,062,896
(Less) Vacancy - Residential				5.00%	of residential income	($153,145)
Effective Gross Income						*$2,909,751*
Expenses						
(Less) Operating Expenses Excl. Taxes				$6,459	/unit/year	($645,940)
(Less) Property Taxes				$2,629	/unit/year	($262,900)
Total Annual Expenses				$9,088		(908,840)
Net Operating Income (NOI)						$2,000,911
Yield on Cost				4.95%	*Cap Rate*	$40,422,454
Development Cost (without land)						($34,591,077)
Residual Land Value						**$5,831,377**
Per Unit						$58,314
Per Acre						***$1,069,977***
Market Land Value						
Per Acre						*$810,070*
% (RLV vs. MLV)						*32%*
			FEASIBLE			

Units	100
Acres	5.45

COUNTY of SANTA BARBARA

one COUNTY one FUTURE

County Housing Opportunity Sites

Task 7 Memorandum

Table of Contents

EXECUTIVE SUMMARY

Santa Barbara County faces significant housing affordability challenges, exacerbated by rising costs and limited public funding, which impact the financial feasibility of affordable housing development. To address this, the County is exploring new strategies, including the redevelopment of publicly owned, underutilized, or surplus land for Workforce housing. This approach can help reduce land acquisition costs, a major barrier to affordable housing projects. Harris & Associates and County staff have identified 21 sites to consider for redevelopment to increase the affordable housing supply. The sites are comprised of 19 sites owned by the County, one site owned by the State (site 15), and one site owned by Union Bank (site 16).

The feasibility of workforce housing development across all Area Median Income levels was evaluated, with each site reviewed for constraints and factors supporting development, taking into account site viability and industry best practices in affordable housing. Feedback on the most viable housing sites was then gathered through outreach

Initial Filtration Process	Site-by-Site Analysis	Developer Stakeholder Feedback	Findings Assessment
• Filtered by GIS analysis of flood hazard, fire hazard, enviornmental sensitivtiy, landslide susceptibility, coastal zone. • 47 sites filtered down to 21 sites.	• Categorized by redevelopment potential. • Identification of factors that strenghten or weaken redevelopment potential (ex. proximity to amenities, infrastructure).	• Feedback provided on sites with Moderate to Moderate-Low redevelopment potential to assess developer potential with existing constraints.	• Site analysis + developer feedback identified eight sites with the highest redevelopment potential for the County to utilize for affordable workforce housing.

with developer stakeholders. Site analysis steps included:

Table 1 provides a list of the eight County sites identified as having the highest redevelopment potential of the 21 opportunity sites. A detailed feasibility analysis of each of the sites can be found in Section 3 of this memorandum.

Table 1. Priority Opportunity Sites for Redevelopment

Site	APN; City/region
Site 1: Current Probation Building	029-211-025; City of Santa Barbara
Site 2: Betteravia Government Center Unoccupied Open Space	128-085-043; City of Santa Maria
Site 3: Food Bank	061-040-020; County Unincorporated (South)

Site	APN; City/region
Site 4: County Administration, Engineering, and Human Resources Buildings	029-121-020, 029-121-022, and 029-121 023; City of Santa Barbara
Site 5: La Posada	061-040-012, 061-040-024; County Unincorporated (South)
Site 6: Calle Real Campus	059-140-023, 059-140-029; County Unincorporated (South)
Site 7: Betteravia Government Center Occupied Open Space	128-085-044; City of Santa Maria
Site 12: Foster Road Facilities and Open Space	111-231-004; City of Santa Maria

1 OPPORTUNITY SITE SELECTION

1.1 Background

Harris and the County conducted a feasibility analysis of 21 sites/properties, with a majority of those County-owned, analyzing the potential for housing development on each site to serve the workforce population at the following levels:

Category	Area Median Income
Very Low Income Workforce	30% - 50%
Low Income Workforce	51% - 80%
Moderate Income Workforce	81% - 120%
Missing Middle/Above Moderate	121% - 200%

It should be noted that based on affordability analysis, Very Low, Low, and Moderate Workforce levels presented are most applicable to rental housing whereas Missing Middle is most applicable for ownership housing. Additional data can be found in the Task 2 Memorandum, Affordability Gap.

The following section outlines the opportunity site selection process, including the following steps:

- **Methodology**
  - Initial filtration process for a list of parcels provided by County staff.
  - Site-by-site analysis to identify factors that may strengthen or weaken redevelopment potential, including common themes that emerged as potential advantages or constraints
- **Developer Stakeholder Feedback**
- **Findings Assessment**
  - Profiles of each of the 21 sites are presented in Section 2 of this memorandum, and includes a description of the site, as well as factors that may impact feasibility.
  - Harris prepared a list of recommended next steps for each site based on redevelopment potential.

1.2 Methodology: Initial Filtration Process

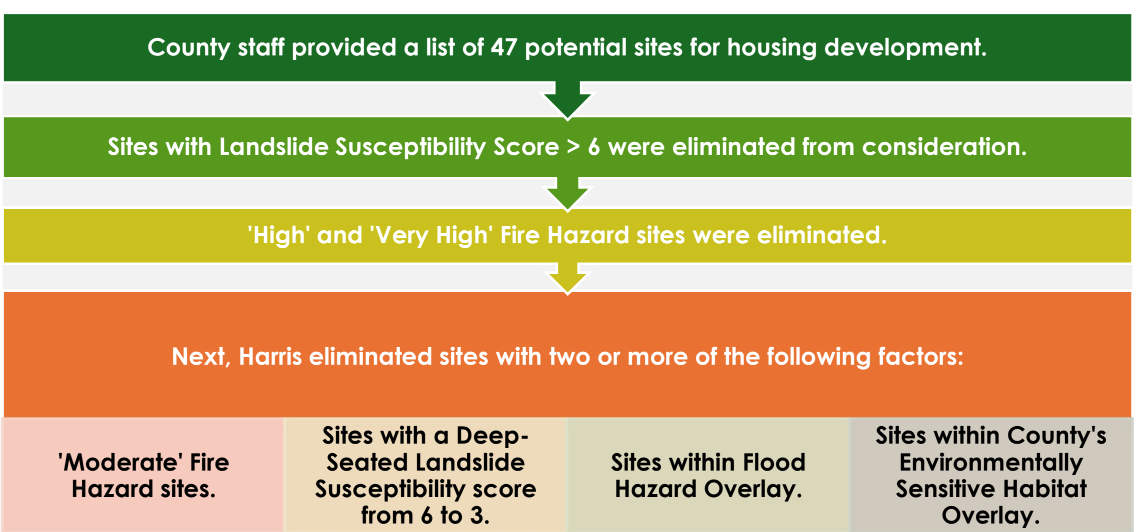
The Santa Barbara County housing opportunity site selection process **began with a list of 47 potential sites provided by County staff** that could potentially develop into housing sites.

Harris used Geographic Information System (GIS) data about each site to analyze the following:

- **Flood Hazard**: Flood Hazard Overlay data was obtained for each parcel. The Flood Hazard Overlay represents the 100-year flood area as informed by the Federal Emergency Management Agency (FEMA) and adopted by the Santa Barbara County Board of Supervisors, which includes the September 2019 Federal Emergency Management Agency (FEMA) updates. It should be noted that FEMA recently prepared Flood Hazard Zone changes for 2024, applicable to the following regions within Santa Barbara County: East Santa Barbara City, Montecito, Carpinteria, Solvang, Santa Ynez, and Buellton.
- **Landslide Susceptibility**: Deep-seated landslide susceptibility data was obtained from the California Department of Conservation. The Department of Conservation provides a master data file noting which areas are most susceptible to landslides and assigns a Landslide Susceptibility Score for each parcel. Susceptibility is measured on a zero to ten scale, with zero being the lowest susceptibility to landslides, and ten being the highest.
- **Fire Hazard**: Fire hazard severity zone data was obtained from the California Department of Forestry and Fire Protection (CAL Fire, or CalFire). CalFire's classifications for fire hazard severity include Moderate, High, and Very High.
- **Environmentally Sensitive Areas:** Environmentally Sensitive Habitat Overlay data was collected to evaluate whether a site is located within an environmentally sensitive habitat such as the County's Riparian Corridor.
- **Coastal Zone:** Harris analyzed which sites fell within the Santa Barbara County Coastal Zone boundaries. County-owned parcels within the Coastal Zone boundaries have limited zoning restrictions under the County's Local Coastal Program, which can help to facilitate the housing development process. It should be noted that California Coastal Commission zoning restrictions still apply.

Using this data, Harris filtered the 47 sites using the methodology outlined in **Figure 1** below:

Figure 1: Initial Filtration Process



1.3 Methodology: Site-by-Site Analysis

After completing the initial filtration process, the County and Harris analyzed the 21 remaining sites, examining various factors that would likely impact redevelopment potential. **Figure 2** and the corresponding write-ups provide an overview of the common themes that emerged in Harris' analysis:

Figure 2: Site Redevelopment Potential – Key Factors

- Topography
- Infrastructure, Accessibility, Parking, and Transportation
- Existing Structures, Uses, and Leases
- Potential Public Opposition
- Developable Site Area
- Proximity to Resources/Amenities

1.3.1 Topography

Harris analyzed the topography of each site to identify potential constraints to housing development. Natural characteristics and surface features, such as **slope levels** and **elevation**, may vary significantly across different land properties. As a result, each property may have different needs for construction readiness.

When a property's slope levels are not ideal for construction, developers may need to undertake additional measures such as grading, a process that involves reshaping land to allow for building construction and water drainage. **Land preparation costs** can significantly impact financial feasibility.

1.3.2 Infrastructure, Accessibility, and Transportation

Harris considered each site's current accessibility and infrastructure, noting whether additional roads and access points would need to be constructed for new housing development.

- **Existing transportation/Accessibility:** Development costs may significantly increase if developers need to build roads and access points. Harris reviewed active transportation projects to determine whether new transportation infrastructure was in the process of being developed at any of the sites.
- **Infrastructure:** An assessment of the availability of essential services like water, sewage, transportation, and energy, noting the absence could potentially result in additional time and costs for developers.

1.3.3 Existing Structures, Uses, Leases, and Site Control

Harris analyzed each site's **existing improvements and current uses**, noting challenges that may arise in the process of redevelopment.

In addition to costs involved in demolishing structures, or repurposing buildings for residential use, Harris considered whether each site was currently leased, as well as the expiration dates for all active leases. Housing cannot be built on a property until all existing leases have expired unless the lease is amended or terminated. As a result, **active leases can significantly delay a site's readiness for development**.

Furthermore, it is necessary to consider relocation efforts for existing tenants and/or uses, including those providing goods or services essential to the community. **Relocation costs can weaken profitability and discourage development if they are passed on to developers**.

1.3.4 Potential Public Opposition

Redevelopment of a site may trigger significant public opposition, which may result in costly delays to the development process. For example, a community may object to housing development involving any of the following:

- **Sites with historical and/or symbolic value** - Redevelopment of sites designed to honor individuals and/or groups such as historical figures, community leaders, and Veterans.
- **Sites actively used by community members** - Critical services including homeless shelters and probationary centers; Popular locations for recreation and/or community events, including parks and youth sports fields.
- **Destruction of habitats or aesthetic value** - Redevelopment of sites that are currently home to natural wildlife habitats.

When conducting the analysis of each site, Harris noted whether redevelopment of the site was likely to result in public opposition from the local community, discussing accordingly with the County and developers during the outreach process.

1.3.5 Developable Site Area

Harris analyzed the **total amount of land suitable for development** within each site. In many cases, certain areas within a site may be suitable for housing development, while other areas may have lower redevelopment potential. For example, an easement on a site, such as a flood control easement, will reduce the total land area suitable for redevelopment within that site. In these cases, it is important to consider not only the total site area, but also the amount of land with significant development potential.

1.3.6 Proximity to Resources and Amenities

Harris analyzed each site's proximity to resources including commercial amenities, jobs, schools, and recreational opportunities. Benefits of developing housing near abundant resources and amenities may include the following:

- **Marketability** of new housing units for prospective residents.
- **Eligibility for certain funding sources**, such as Tax Credit Allocation Committee (TCAC) funding (directly related to a site's proximity to resources and amenities).
- **Proximity to government services**, such as probation services, social services, and healthcare, can boost redevelopment potential for certain types of housing such as Permanent Supportive Housing.

In contrast, several factors including nearby noise levels, traffic, and pollution were considered in Harris' evaluation of each site. These factors may weaken a property's ability to attract tenants and result in costly mitigation measures for developers, thereby discouraging development.

1.4 Developer Outreach

After reviewing each site for factors likely to impact redevelopment potential, Harris and the County discussed preliminary findings with local developer stakeholder organizations. Specifically, Harris sought to collect feedback from developers regarding eleven (11) sites that were presumed to have moderate to moderate-low redevelopment potential based on an early analysis of existing constraints to development. Harris and the County met virtually with seven (7) developer organizations via a stakeholder meeting held August 14, 2024. This meeting provided Harris and the County an opportunity to obtain information regarding each site's development potential, including factors that may complicate the development process, or discourage development altogether, as well as feasibility of development.

Members of the following organizations participated in the discussion:

- People's Self-Help Housing Corp
- Urban Planning Concepts, Inc.
- Snyder Langston
- The Oak Creek Company
- Romo & Associates
- Housing Authority of the County of Santa Barbara
- Housing Authority of the City of Santa Barbara

The following patterns were observed in Harris and the County's discussion with developers.

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.

Section 2: Site Profiles are inclusive of feedback received on specific sites from developers who participated in the August 14, 2024, stakeholder meeting.

1.5 Findings

After completing preliminary research and consulting with the County and developers, Harris categorized the 21 sites by redevelopment potential utilizing a tier system as outlined in **Table 2** below:

Table 2: Redevelopment Potential Tiers

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.

As a result of the feasibility analysis, Harris identified:

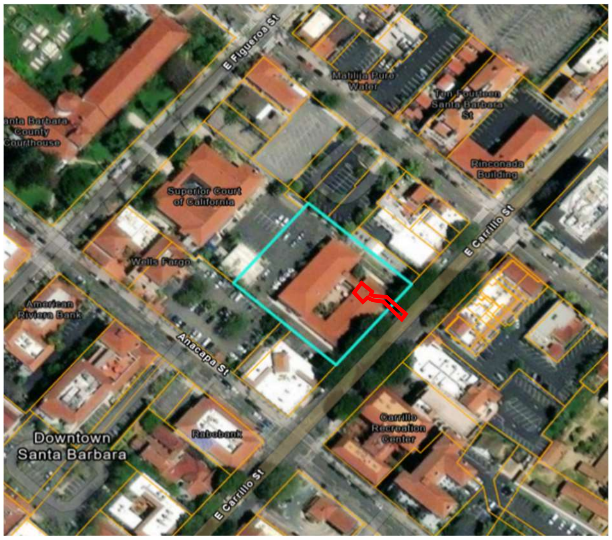
- Two (2) “High” redevelopment potential sites,
- One (1) “Likely High” redevelopment potential site,
- Four (4) “Moderate” redevelopment potential sites,
- Six (6) “Moderate to Low” redevelopment potential sites, and
- Eight (8) “Low” redevelopment potential sites.

The following section provides a profile of each of the 21 sites analyzed by the Harris team, with subsequent developer feedback for 11 of these sites. Each site profile includes:

- Site Description and Factors Promoting Development
- Site Constraints
- Recommended Next Steps

2 OPPORTUNITY SITE PROFILES

Tier 1. Site 1: Current Probation Building - 123 East Carrillo Street, City of Santa Barbara
APN: 029-211-025, **Acreage:** 0.97, **Current Zoning:** C-G - Commercial General, **Land Use Description:** Office Buildings (multi-story), **HEU:** 48 Units (Rezone Not Applicable), **County-owned site**



029-211-025 Site Description and Factors Promoting Development:

This 0.97-acre site is currently used as an office for County probation services. However, all offices are planned to be relocated to a new Probation Headquarters, which began construction at 1019 Garden Street in Santa Barbara in early fall 2024. **This site is a prime location for affordable housing due to its size, access to downtown Santa Barbara amenities, and existing infrastructure. During developer stakeholder outreach, the downtown Santa Barbara area was identified as an "excellent" location for a housing project, with this site in particular garnering collective praise for its redevelopment potential.** A development here could potentially serve the downtown Santa Barbara and State Street retail workforce as well as State Superior Court staff.

The current Probation Building is a **County-owned site** with identified redevelopment potential. More specifically, **The site was included in the County's 6th Cycle Housing Element Update**. An analysis by County General Services and the County Architect for the Housing Element Update determined the current building would likely need to be demolished in order for housing to be built (Housing Element Update, Page D-62). According to the County General Services Capital Projects Division, an affordable housing project consistent with other projects developed by the Housing Authority of the County of Santa Barbara would be feasible to develop at this site.

Factors that may impact the feasibility of future development include a **transfer agreement in perpetuity** with the State to provide parking spaces for the adjacent Santa Barbara County Superior Court as well as a **minor easement** with SoCal Edison in the northeast corner of the parcel (shown in red in the aerial image above). This easement does not propose a significant hindrance to potential development. While the County retains authority for approving, permitting, and certifying occupancy for residential and other types of development on its properties, it is anticipated that coordination efforts between the County and the City of Santa Barbara to rezone the property to allow for residential use will need to occur. With its current significant redevelopment plans and excellent location, this site has **high redevelopment potential**, provided that the existing transfer agreement and easement are addressed with each respective party and the developer.

Site Constraints:

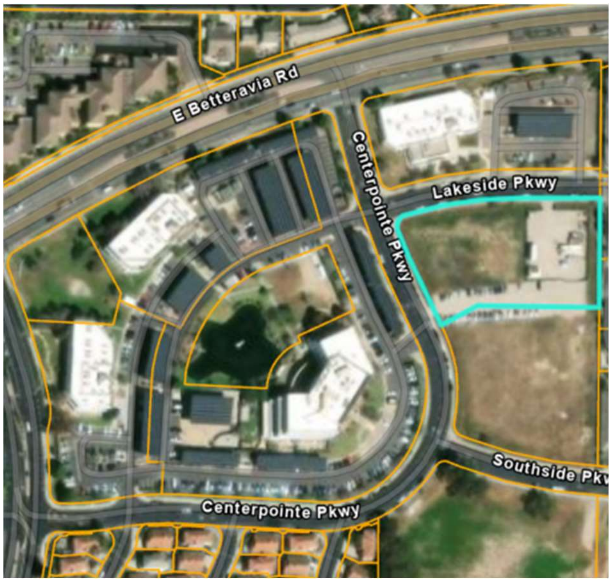
Current Leases/Easements[1]: Parking transfer agreement with the State for adjacent court building (in perpetuity). Permanent SoCal Edison easement (see area in red above).

Recommended Next Steps:

1. Proceed with the planned relocation of Probation Headquarters.
2. Negotiate lease and easement issues (State and SoCal Edison).
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for a lower to moderate income workforce affordable housing development, with consideration for utilization of a private equity funding source, as discussed in the Funding Opportunities and Financing Resources memorandum.

[1] *Lease and easement information was provided by Santa Barbara County.*

Tier 1. Site 2: Betteravia Government Center Unoccupied Open Space - 522 Lakeside Parkway, City of Santa Maria, APN: 128-085-043, **Acreage:** 1.73, **Current Zoning:** PD/CPO - Planned Development/Commercial and Professional Office**, Land Use Description:** Commercial, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** is located adjacent to the Joseph Centeno Betteravia Government Center. It is **mostly vacant and unoccupied**, with a small portion of the site being paved and used for parking. However, there is no formal parking agreement in place for the site[1]. The parcel directly south of the site houses the 94-unit Hope Village interim housing project. **This site is an ideal location for potentially permanent supportive housing due to its size, access to social services and healthcare, and existing infrastructure. Developer stakeholder outreach indicated that vacant sites in developed areas present great opportunities for redevelopment due to the absence of expensive or time-consuming infrastructure constraints.**

This site is one of several partially vacant parcels in this area with tentative redevelopment plans. However, the County deems this site to have the highest potential for redevelopment due to its good size and vacant and unoccupied status.

This site has high redevelopment potential. The site is County-owned and mostly vacant with no existing leases or easements. Its proximity to residential development and access to amenities also indicate that affordable housing development would be feasible at the site. While the County retains authority for approving, permitting, and certifying occupancy of residential and other types of development on its properties, it is anticipated that coordination efforts between the County and the City of Santa Maria to rezone the property to allow for residential use will need to occur. Engaging in community outreach prior to site development is advised.

With its excellent location and development readiness, this site has **high redevelopment potential** and should be prioritized over other potential sites in this area.

Site Constraints:

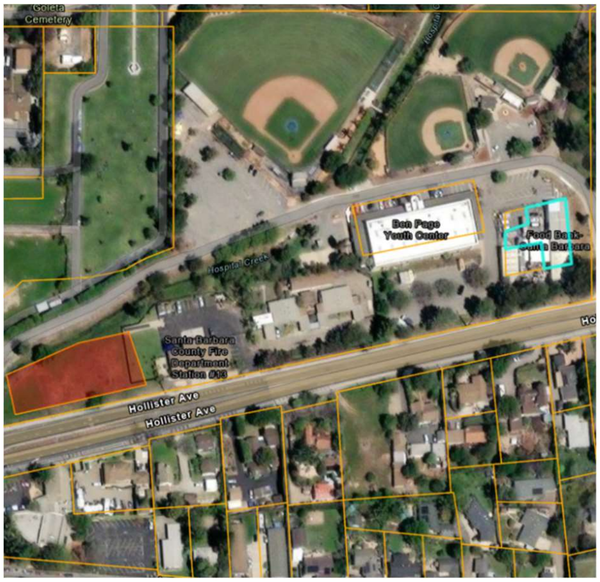
No major site constraints.

Recommended Next Steps:

1. Complete Surplus Land Act requirements.
2. Develop and issue a request for proposals for affordable housing development. Consider permanent supportive housing.

[1]Lease and easement information was provided by Santa Barbara County.

Tier 2. Site 3: Food Bank - 4554 Hollister Avenue, County Unincorporated, APN: 061-040-020, **Acreage:** 0.67, **Current Zoning:** REC - Recreation**, Land Use Description:** Institutional, **HEU:** 14 Units (Rezone Not Applicable), **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** is located in unincorporated south Santa Barbara County and is adjacent to the Ben Page Youth Center and ball fields. It is currently utilized as a food bank, which is already planned to be relocated. There are no current leases, easements, or parking agreements in place for the site[1]. A separate, 9% Low-Income Housing Tax Credit application project is being developed in a nearby lot (highlighted red in the aerial image above), indicating that **a project here could also have a competitive California Tax Credit Allocation Committee application, and the site has good access to amenities. These factors led the site to be considered feasible during developer stakeholder outreach.** A development here could serve County staff working in County Administration buildings identified in the Calle Real Master Plan or San Marcos Senior High School staff, among other community members.

There is County interest in redeveloping the site as it **is included in the County's Housing Element** and the **Calle Real Master Plan**. Given its proximity to residential development, open space, and other amenities, and the nearby affordable housing project currently planned, this site could be an excellent candidate for a lower-income (30% - 80% Area Median Income) affordable housing development utilizing California Tax Credit Allocation Committee funds. There are some factors that may impact the feasibility of future development. The site is near, but not within, the Hospital Creek **Environmentally Sensitive Habitat Overlay**. During **developer stakeholder outreach, developers inquired about base flood elevation for the site**. **Developers also asked if surrounding parking lots could be available** to the site as a podium or structured parking development would be costly. Finally, affordable developments in this area have faced community pushback in the past. It was suggested in developer feedback that the replacement of a food bank may also trigger resistance. While there are some site constraints to consider, this site's location and surrounding affordable development give it **likely high redevelopment potential**.

Site Constraints:

Environmental Constraints: The Hospital Creek Environmentally Sensitive Habitat overlay may negatively affect project feasibility by requiring costly analyses and flood mitigation efforts.

Community Opposition: County and potential developers should consider past community engagement in the area and approach a development that incorporates feedback provided by the community.

Recommended Next Steps:

1. County should continue facilitating relocation efforts of the existing food bank.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development. Consider marketing the location as potential California Tax Credit Allocation Committee project for lower-income (30% - 80% Area Median Income) households. Also, look for ways to work with potential developers with parking concerns.

[1]*Lease and easement information was provided by Santa Barbara County.*

Tier 3. Site 4: County Administration, Engineering, and Human Resources Buildings - 105 East Anapamu Street and 1226 Anacapa Street, City of Santa Barbara,

APNs: 029-121-020, 029-121-022, and 029-121 023, **Acreage:** 3.69, **Current Zoning:** C-G - Commercial General**, Land Use Description:** Office Buildings, Parking Lot, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

This group of three parcels totaling 3.69 acres is **County-owned** and currently used as County offices for administration, with a parking lot. **This site is a prime location for housing due to its size, access to downtown Santa Barbara amenities, and existing infrastructure. During developer stakeholder outreach, the downtown Santa Barbara area was identified as an "excellent" location. This site specifically was recognized as a potential affordable adaptive reuse project.** Developers suggested to leverage the City parking lot across the street for parking at the site. A development here could potentially serve the downtown Santa Barbara and State Street retail workforce as well as State Superior Court staff. The current office uses would have to be relocated before development could happen at the site. There are no time-bound plans as of October 2024, but the County has considered developing a new administration building at the Calle Real campus as part of the Calle Real Master Plan. **Developer feedback indicated that this site could be an adaptive reuse opportunity once the site is vacated**.

There are some factors at this site that may impact the feasibility and timing of future development. There are two **license agreements** at the site, both in the renewal stage, which is an opportunity to renegotiate or end agreements if they hinder housing development. There is also an existing County-to-County **lease** for the office space until 2040. This lease may be extended or terminated before expiration with mutual party consent. Aside from the existing County offices on the site, **the parking lot serves the adjacent Naomi Schwarz County Office Building**. The development of the parking lot would most likely require parking for that facility. The parking lot parcel also contains an **emergency generator and electric vehicle charging station**, which would have to remain or be relocated. This is a good-sized site with an excellent location and potential for adaptive reuse, but the time it would take to relocate current uses at the site makes it a Tier 3 site with **moderate redevelopment potential**. The site will not be realistically ready to develop for 10-15 years.

Site Constraints:

Current Leases/License Agreements[1]: Lease between the County of Santa Barbara Finance Corporation and the County of Santa Barbara (expires 2040 but is negotiable). License agreements with Blue Star Parking (in renewal process but may be terminated) and New Beginnings Safe Parking (ended in 2022 but still in place).

Relocation of Current Uses: There are no official plans to relocate the current uses at the site, with the prospective plans involving the development of new County offices at the Calle Real Campus.

Parking Lot Uses: The parking lot on this site serves the adjacent Naomi Schwarz County Office Building and houses an emergency generator and EV charging station.

Recommended Next Steps:

1. County lead relocation plans for current uses. Consider relocation to the Calle Real campus, per the Master Plan.
2. Renegotiate or end current leases and license agreements. Consider parking lot arrangements.
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for affordable housing development where development can begin once the building is vacated. Consider adaptive reuse and leveraging the City parking lot across the street.

[1]Lease and license agreement information was provided by Santa Barbara County.

Tier 3. Site 5: La Posada - 4500 Hollister Avenue, County Unincorporated,
APN: 061-040-012, 061-040-024 **Acreage:** 10.5, **Current Zoning:** REC - Recreation**, Land Use Description:** Public Buildings, Vacant Land, **HEU:** 75 Units (Rezone Not Applicable), **County-owned site**

Site Description and Factors Promoting Development:

This site is located in unincorporated south Santa Barbara County and is adjacent to the Ben Page Youth Center, food bank, and ball fields. It is a juvenile hall site that is no longer in operation, but the office space and reporting center are still utilized. The parking lot has been developed into an interim housing community with an 80-unit program operating through 2028. A separate, 9% Low-Income Housing Tax Credit application project is being developed in a nearby lot, indicating that **a project here could also have a competitive California Tax Credit Allocation Committee application, and the site has access to amenities. These factors led the site to be considered feasible during developer stakeholder outreach.**

A development here could serve County staff in the Calle Real Master Plan or San Marcos Senior High School staff, among other community members. There is County interest in redeveloping the site as it is included in the **County's Housing Element** and the **Calle Real Master Plan**. The Calle Real Master Plan calls for the demolition of the existing buildings (including the interim housing community) at the site and identifies it as a "future workforce expansion opportunity." Given its proximity to residential development, open space, and other amenities, as well as the nearby affordable housing project, this site could be an excellent candidate for an affordable development utilizing California Tax Credit Allocation Committee funds.

Some factors may impact the feasibility of future development. The steep slopes along the site's western and southern portions limit its developable area. The flattened area set to be demolished should provide enough space for a housing development, however. There is also an existing lease with Dignity Moves that expires in June 2028. The demolition and development of the site would likely have to wait until that lease is near its end. **This site is County-owned** and has a good location with surrounding affordable development. However, an existing lease delaying demolition of the site to 2028 gives it **moderate redevelopment potential**.

Site Constraints:

Environmental Constraints: Steep slopes along the site's western and southern portions.

Current Leases[1]: Dignity Moves lease (expires June 2028).

Community Pushback: County and potential developers should consider past community engagement in the area and approach a development that incorporates prior community feedback received.

Recommended Next Steps:

1. Once the lease ends, demolish existing buildings per the Calle Real Master Plan.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

[1]*Lease and easement information was provided by Santa Barbara County.*

Tier 3. Site 6: Calle Real Campus - 4417 Calle Real and 260 North San Antonio Road, County Unincorporated, APN: 059-140-023, 059-140-029 **Acreage:** 205.34, **Current Zoning:** REC - Recreation, **Land Use Description:** Public Buildings, **HEU:** 116 Total Units (Rezone Not Applicable), **County-owned site**

Site Description and Factors Promoting Development:

The Calle Real Campus is made up of two large parcels located in unincorporated south Santa Barbara County. Current uses at the site include various County offices, law enforcement buildings, and the Hearts Therapeutic Equestrian Center. **This site's close proximity to multifamily housing, social services, and amenities, along with the plans outlined in the Calle Real Master Plan, give it significant development potential.** A development here could serve County staff working in County Administration buildings identified in the Calle Real Master Plan, San Marcos Senior High School staff, or staff at the neighboring equestrian center, among other community members. There is County interest in redeveloping the site as it is included in the **County's Housing Element** and the **Calle Real Master Plan**. The Calle Real Master Plan calls for the demolition of the various existing buildings (denoted in **burgundy** in the extent map above). The plan also identifies the Child Family Services Lot, Archives Parking Lot, and Above BeWell Parking Deck as "planned housing sites" (denoted in **red** in the extent map above). These clear plans for housing, combined with surrounding amenities and development, contribute to the site's development potential.

Several factors may impact the feasibility of future development. The areas with planned housing sites have a County-to-County sublease that expires in 2043. However, this lease can be terminated prior to that date or alternatively extended should the County choose to do so. The Hospital Creek Environmentally Sensitive Habitat Overlay runs nearby (but is not within the site) which could complicate future development. Feedback during developer stakeholder outreach indicated the potential of this site should be further analyzed with information about how many units can be assumed at the respective Calle Real Master Plan planned housing sites. The County's Housing Element update projects a total of 116 units across three sites in the Calle Real Campus. The site's northwestern open space area was considered for development as well, but topography and environmental constraints would make it costly. **This site is County-owned** with a good location and development plan, but lease negotiation and demolition could take several years. This site has **moderate redevelopment potential**.

Site Constraints:

Environmental Constraints: The Hospital Creek Environmentally Sensitive Habitat Overlay may negatively affect project feasibility by requiring costly analyses and flood mitigation efforts.

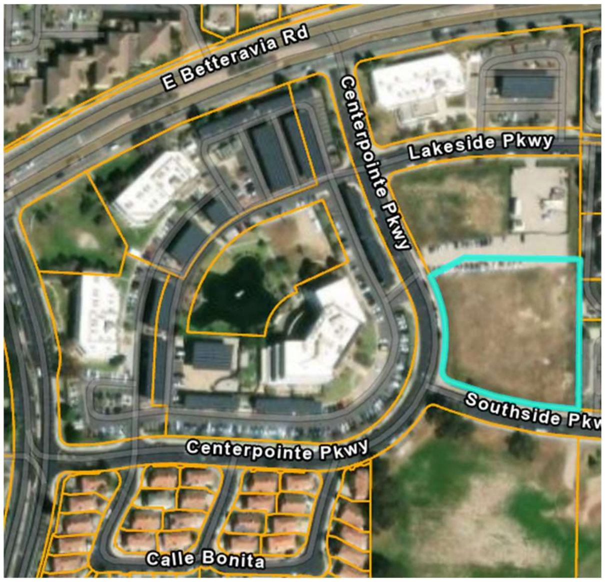
Current Lease[1]: Lease between the County of Santa Barbara Finance Corporation and the County of Santa Barbara (expires 2043 but is negotiable).

Recommended Next Steps:

1. Renegotiate existing leases and demolish the planned housing sites per the Calle Real Master Plan.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

[1]Lease and easement information was provided by Santa Barbara County.

Tier 3. Site 7: Betteravia Government Center Occupied Open Space - 2131 Southside Parkway, City of Santa Maria, APN: 128-085-044, **Acreage:** 1.80, **Current Zoning:** PD/CPO - Planned Development/Commercial and Professional Office**, Land Use Description:** Commercial, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned** site is located adjacent to the Joseph Centeno Betteravia Government Center. It is currently leased by Dignity Moves and houses the 94-unit Hope Village interim housing program. The lease ends in 2028. **This site is an ideal location for potentially permanent supportive housing due to its size, access to social services and healthcare, and existing infrastructure. Developer stakeholder outreach indicated that vacant sites in developed areas present great opportunities for redevelopment due to the absence of expensive or time-consuming development constraints.**

This site is one of several partially vacant parcels in this area with tentative redevelopment plans. The site is currently in use, but the County sees development potential once it becomes available, given its good size and access to amenities.

The main factor impacting the feasibility of future development at this site is the **existing lease** with Dignity Moves. This lease is set to end in 2028. The County would have to wait until the lease nears expiration to move forward with any redevelopment plans for the site. While the County retains authority for approving, permitting, and certifying occupancy of residential and other types of development on its properties, the County and the City of Santa Maria should coordinate to rezone the property to allow for residential use. This could be accomplished prior to the lease ending. The removal of an existing, 94-unit homeless shelter may garner some community pushback as well. Consideration of engaging in community outreach prior to site development is advised. This site has an excellent location and surrounding amenities, but the long timetable for development due to an existing lease gives this site **moderate redevelopment potential**.

Site Constraints:

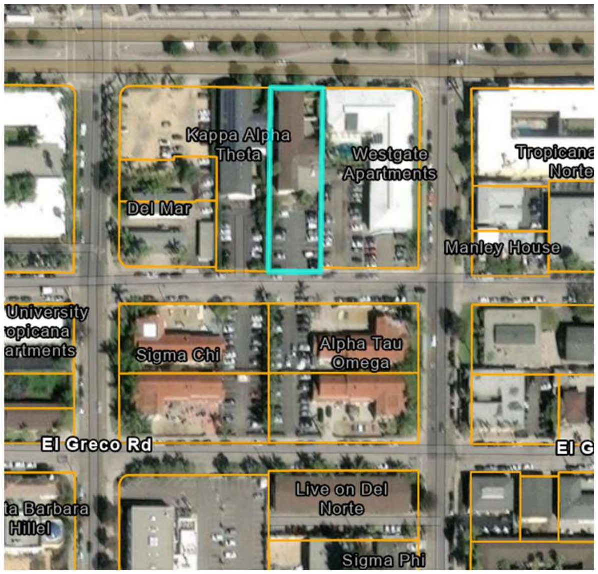
Current Lease[1]: Lease between the County of Santa Barbara and Dignity Moves (expires 2028).

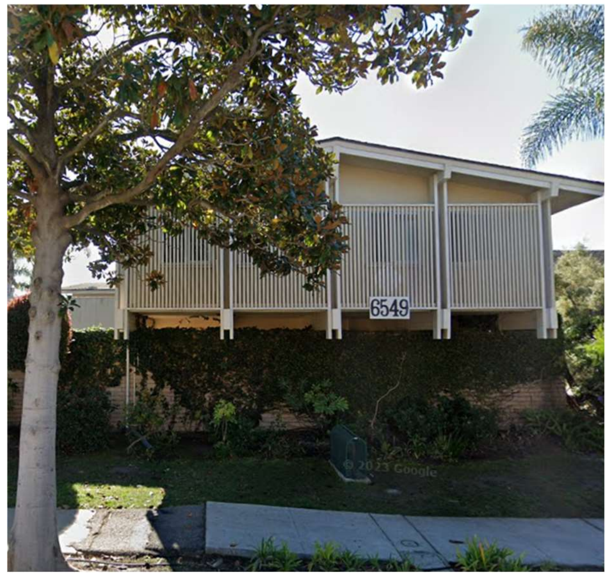
Recommended Next Steps:

1. Complete the existing lease term and evaluate future plans for the site. Rezoning coordination with the City of Santa Maria for this site and neighboring parcels could take place during this time if desired.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development. Consider permanent supportive housing.

[1]Lease and easement information was provided by Santa Barbara County.

Tier 4. Site 8: Hedges House of Hope - 6549 El Colegio Road, County Unincorporated,
APN: 075-034-005 **Acreage:** 0.45, **Current Zoning:** SR-H-20 - High Density Student Residential**, Land Use Description:** Apartments, **HEU:** Not Included, **County-owned site**





Site Description and Factors Promoting Development:

This **County-owned site** is located in the unincorporated South County community services district of Isla Vista near the University of California, Santa Barbara. It is an operational homeless shelter in an area largely influenced by University fraternities and sororities, or "Greek life". The building is approximately 60 years old and has a history of plumbing issues. The use of grant funds for the homeless shelter also restricts any change in use at the site until 2035.

Despite its limitations, **the site's location offers a potential opportunity for future Workforce housing for individuals employed in non-profits or hospitality near the University.** A project of this nature would likely require highly competitive Tax Credit Allocation Committee funds. Additionally, the County would need to assess whether the current use of the site is an integral part of the County's long-term strategy to address homelessness, should the opportunity for redevelopment arise.

Various factors impact the feasibility of future development at the site. The main factor hindering redevelopment is the usage of the site as a homeless shelter until 2035 due to the allocation of Homekey and American Rescue Plan Act State and Local Fiscal Recovery Funds. Considering the building's old age and plumbing issues, full demolition would be expected at the site, increasing development costs. Nearby activities and surroundings may detract from the site's attractiveness to families.

Due to a lack of usage until 2035, the site only has **moderate to low redevelopment potential**. However, there is potential for a future workforce housing project utilizing Tax Credit Allocation Committee funds.

Site Constraints:

Grant Funding Usage[1]: The use of Homekey and American Rescue Plan Act funds prohibits a change in use as a homeless shelter until 2035.

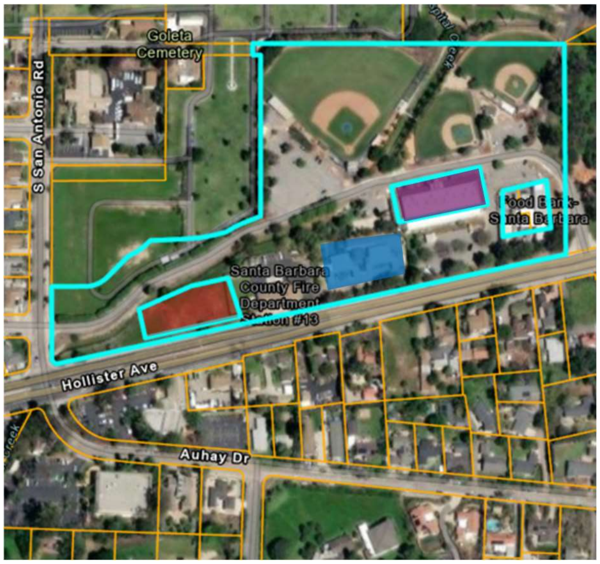
Location: The existing building, which used to be a sorority house and is located in an area dominated by Greek life, is 60 years old and has a recent history of plumbing issues.

Recommended Next Steps:

1. Continue operating the homeless shelter until 2035 while evaluating future plans for the site.
2. If the County wishes to move forward with redevelopment, complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development. Consider non-profit or hospitality workforce housing while optimizing the potential project's Tax Credit Allocation Committee score.

[1]*Grant funding timeline provided by Santa Barbara County.*

Tier 4. Site 9: Site Between Ben Page Youth Center and Fire Station - 4540-4554 Hollister Avenue, County Unincorporated, APN: 061-040-043, **Acreage:** 13.52, **Current Zoning:** REC – Recreation, **Land Use Description:** Institutional, **HEU:** 18 Units (Rezone Not Applicable), **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** is located in unincorporated south Santa Barbara County and surrounds the Ben Page Youth Center (highlighted **purple** in the aerial image above), food bank, and a 9% Low-Income Housing Tax Credit application site (**red** in the aerial image above) that is under development but caused significant community opposition. The building proposed to be redeveloped is highlighted in **blue** above and is approximately **0.72 acres**. It is currently utilized by decentralized staff for the Fire and Sherriff Departments and has no current leases[1]. The nearby Low-Income Housing Tax Credit application project indicates that a project here could also have a competitive California Tax Credit Allocation Committee application. **Developer stakeholder outreach indicated that a Moderate Workforce- to Missing Middle-Income level project could be feasible if steps such as rezoning and mitigation efforts are taken before development.** A development here could serve County staff working in County Administration buildings identified in the Calle Real Master Plan or San Marcos Senior High School staff, among other community members.

There is County interest in redeveloping the site as it is included in the **County's Housing Element** which estimates a potential buildout of 18 lower-income units. The **Calle Real Master Plan** also encompasses this site, but it is not identified specifically for potential housing. Per the Master Plan, the existing buildings in the **blue** area above are set to be demolished along with the neighboring fire station. The fire station is planned to be rebuilt with the County believing that the space between the new fire station and the Ben Page Youth Center could develop into housing.

Various factors may impact the feasibility of future development. Proposed developments near this site have received significant community opposition. In order to develop this site, additional surveying and a designation as a legal parcel would be required. Developer feedback indicated that if the site was mitigated and ready to move forward, a project serving Moderate Workforce to Missing Middle levels may be more amenable to the community. The Hospital Creek Environmentally Sensitive Habitat Overlay also runs adjacent to the site, which may lead to costly mitigation analyses and efforts.

This site has **moderate to low redevelopment potential**. While there is some potential for housing, the challenges associated with the site may outweigh the benefits.

Site Constraints:

Parcel Designation: Before development, this site would require additional survey and designation as a legal parcel.

Environmental Constraints: The Hospital Creek Environmentally Sensitive Habitat overlay may negatively affect project feasibility by requiring costly analyses and flood mitigation efforts.

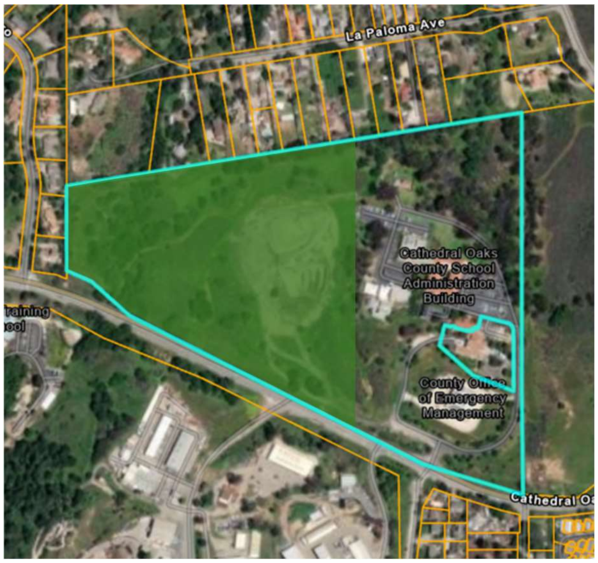
Community Opposition: County and potential developers should consider past community engagement in the area and approach a development that incorporates feedback provided by the community.

Recommended Next Steps:

1. Demolish existing buildings and construct a new fire station in accordance with the Calle Real Master Plan.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for housing development. Consider targeting Moderate Workforce to Missing Middle households.

[1]*Lease and easement information was provided by Santa Barbara County.*

Tier 4. Site 10: Santa Barbara County Education Office and Office of Emergency Management - 4400 Cathedral Oaks Road, County Unincorporated, APN: 059-120-003 **Acreage:** 37.49, **Current Zoning:** REC - Recreation**, Land Use Description:** Public Buildings, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** houses offices for the Santa Barbara County Education Office, County Fire Department, and the Office of Emergency Management. These fully utilized office buildings have leases that expire in 2029[1]. A significant portion of the site is also utilized as a Public Works yard and open space, which is where potential residential development is most likely to occur (highlighted in **green** in the aerial image above). While the vacant open space may appear ready to develop, developer stakeholder outreach indicated that **development here would be costly due to environmental mitigations, a lack of infrastructure, and grading retainage.** A development here could help serve the County staff at the Education and Emergency Management offices.

Due to the potentially expensive construction, a housing development in this area would likely need to be market rate to be feasible. A Community Facilities District, a special taxing district that funds public services and infrastructure improvements in a specific area, could accompany a potential development.

Multiple factors impact the feasibility of future development at the site. Indigenous artifacts have been found in the northeastern portion of the parcel, which could complicate future development. There are steep slopes and grading on portions of the Public Works yard (up to 41.4%) that would be costly to mitigate. An Environmentally Sensitive Habitat Overlay also runs through the western portion of the parcel, which could further costly mitigation analyses and efforts.

The potentially expensive build of the site, along with the lack of current infrastructure, makes the redevelopment potential for Workforce housing at this site **moderate to low**.

Site Constraints:

Indigenous Artifacts: Indigenous artifacts have been found in the northeastern portion of the parcel, which could complicate future development by requiring costly mitigation efforts.

Grading/Slopes: Due to the steep grading and slope on portions of the site (up to 41.4%), grading retainage would be an expensive portion of any future development

Environmental Constraints: An Environmentally Sensitive Habitat overlay may negatively affect project feasibility by requiring costly analyses and mitigation efforts.

Recommended Next Steps:

1. County lead relocation efforts of the Public Works yard.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for housing development. Consider market rate units with transportation and infrastructure improvements provided by the County.

[1]Lease and easement information was provided by Santa Barbara County.

Tier 4. Site 11: Lompoc Administration Complex - 401 East Cypress Avenue, City of Lompoc
APN: 085-172-018 **Acreage:** 1.12, **Current Zoning:** PF - Public Facilities**, Land Use Description:** Office Building, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

This **County-owned site** is used as a County Administration complex that is home to multiple County departments and a parking lot. The office building has month-to-month leases between County General Services and the current tenants[1] and is considered underutilized by the County. The parking lot has leases and agreements in place with the State (in perpetuity) and the City of Lompoc Police Department (expires 2044). **Based on developer feedback, there is not sufficient land to develop housing.** However, City of Lompoc amenities and infrastructure could serve the site if the office building was able to be redeveloped. A potential development here could serve public employees from the neighboring probation offices and superior court, as well as employees at the various retail outlets in the downtown Lompoc Community Center area.

To increase the potential for redevelopment, the County would need to assess current vacancies and relocate any existing tenants to create more vacancies. Once the building is fully vacant and not under a lease agreement, the potential for redevelopment would increase.

Various factors impact the feasibility of future development at the site. In addition to the office building being occupied, the parking lot has an agreement with the State in perpetuity for court parking and a lease agreement with the City of Lompoc Police Department through 2044 for vehicle parking. These agreements would have to be renegotiated or mitigated for future development.

This site has **moderate to low development potential**, given the building's current utilization and lack of developable space due to lease and parking agreements impacting the timing of future development.

Site Constraints:

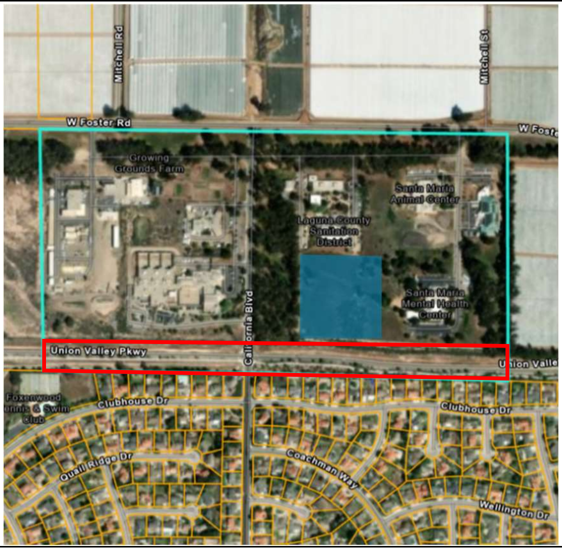
Existing Leases/Agreements[1]: County General Services has month-to-month leases with the current tenants. Parking lot transfer agreement with the State for court parking (in perpetuity) and the City of Lompoc Police Department for State and court vehicles (expires 2044).

Recommended Next Steps:

1. County lead relocation efforts of office uses and renegotiate parking lot agreements.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

[1]Lease and transfer agreement information was provided by Santa Barbara County.

Tier 4. Site 12: Foster Road Facilities and Open Space - 4263 California Boulevard, City of Santa Maria, APN: 111-231-004 **Acreage:** 89.41, **Current Zoning:** PF - Public Facilities**, Land Use Description:** Public Buildings, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This site is a large, **County-owned** parcel in the City of Santa Maria, and contains various government facilities, including probation offices, juvenile court services, an animal shelter, a mental health center, sanitation offices, and a County foodbank, all with existing leases and easements[1] (existing, permanent easement with the City of Santa Maria outlined in **red** in the aerial image above). The site also has significant vacant, open space, which has been discussed as a location for tiny homes. The Santa Maria Airport is less than 1 mile north of the site. Residential tracts directly south of the parcel indicate that existing infrastructure could be available at the site.

The open space section of the parcel (highlighted in **blue** above) is the most viable option for housing development at this site. However, developer stakeholder outreach has indicated that **the site's surrounding uses with negative externalities could affect the marketability of a housing development there**. Given the social services surrounding a potential development, a shelter or interim housing development, with a possibility of tiny homes, could be an effective use of the space and would be able to be developed by-right. However, the community may object as a more short-term project and effort has been communicated with them in the past.

Various factors impact the feasibility of future development at the site. While the vacant open space of the parcel may be ready to develop, negative externalities including the site's proximity to a juvenile court and probation, mental health center, animal shelter, and airport could affect a future development's marketability. Landscaping and other mitigation techniques could create an isolated feel, but they would be expensive for an affordable development. It is also assumed that the County will coordinate with the City of Santa Maria to change the zoning at the site to allow for residential.

This site has **moderate to low development potential**. This site could be suitable for shelters or interim housing, but it would not be viable for Workforce housing.

Site Constraints:

Negative Externalities: The site's proximity to juvenile court and probation, mental health center, animal shelter, and airport uses could affect the marketability of a future housing development. Should current uses be relocated to facilitate further development, the negative externalities would no longer be a factor.

Existing Leases/Easements[1]: There are existing leases and uses surrounding the site, but the area projected to develop does not have existing leases.[1] The easement deed with the City of Santa Maria is permanent.

Community Objection: The community may object to a shelter or interim housing development as a more short-term project and effort has been communicated with them in the past.

Recommended Next Steps:

1. Ensure existing leases, easements, and zoning are conducive to residential development.
2. Hold a subsequent developer outreach meeting to discuss the potential of developing housing on a portion of the site.
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for affordable housing development. Consider interim housing like shelters or tiny homes.

[1]*Lease and easement information was provided by Santa Barbara County.*

Tier 4. Site 13: Lompoc Veterans Memorial Building - 100 East Locust Avenue, City of Lompoc

APN: 085-330-003 **Acreage:** 3.94, **Current Zoning:** PF - Public Facility / OS - Open Space, **Land Use Description:** Public Buildings, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

This **County-owned site** is located in the City of Lompoc and currently serves as a Veterans Memorial Building and County offices at the portion of the site north of the railroad (shaded **blue** in the aerial image above). The Veterans Memorial Building is also utilized as an event center for weddings, private parties, and corporate events. The area south of the railroad is open space (shaded **green** in the aerial image above). The site is on the **National Historic Registry listing** and has been renovated in recent years with Community Development Block Grant funds and community donations. Surrounded on three sides by residential development, the site appears to have access to existing amenities and infrastructure. **There are no current plans to redevelop the Veterans Memorial Building.**

Developer Stakeholder Input:

- A housing project could be possible on this site but would warrant additional study on the easement, slopes and hazardous materials.
- The **existing use, leases, potential access and egress issues, noise mitigation requirements (proximity to railroad tracks), existing flood control easement, and National Historic Registry status would likely make redeveloping the site complicated**, **potentially very expensive, and time-consuming**.
- Indigenous artifacts have also been found in surrounding areas and could lead to development complications**.**

If development were to occur on the site, the southern open space portion of the parcel could potentially house a small, Low Income Housing Tax Credit veterans project.

The site constraints previously discussed make this site a potentially expensive development, ultimately giving this site **moderate to low redevelopment potential**.

Site Constraints:

Current Leases/Easements[1]: There are multiple leases at the site, including a Senior Center. Flood Control easement from Southern Pacific Railroad Company.

Culturally Sensitive Area: Indigenous artifacts have been found in the area.

National Historic Registry: The site is on the National Historic Registry listing and federal Community Development Block Grant funds utilized for its renovation could impede the redevelopment of the building.

Access and egress: There is the potential for access and egress issues at the southern portion of the site.

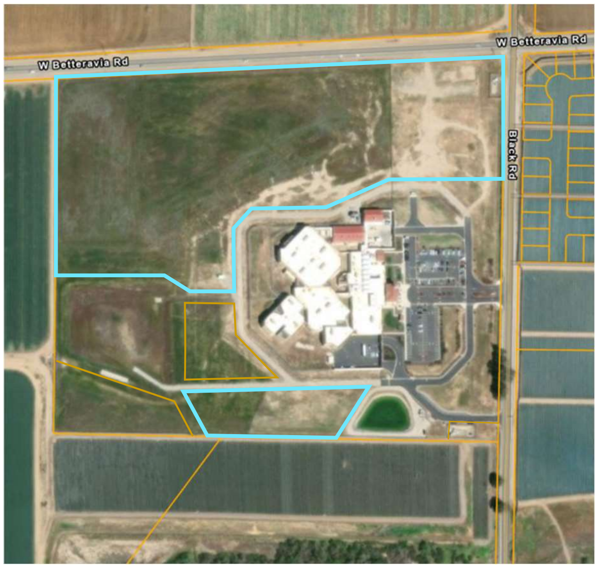
Noise mitigation: Noise mitigation requirements due to the existing railroad would add costs to a future development.

Recommended Next Steps:

1. Host a focused developer outreach meeting to discuss the potential of building housing on a portion of the site.
2. Review lease agreements and easement specifics to determine if development on a vacant portion of the site can occur. (various leases and Southern Pacific Railroad Company).
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for an affordable housing project on a portion of the site. Consider offering units first to lower-income veterans.

[1]*Lease and easement information was provided by Santa Barbara County.*

Tier 5. Site 14: North County Jail - West Betteravia Road & Black Road, County Unincorporated
APN: 113-210-024, 113-210-026 **Acreage:** 23.6, **Current Zoning:** M-2 - General Industry**, Land Use Description:** Public Buildings, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** consists of two vacant parcels that surround the Santa Barbara County North Jail just outside the City of Santa Maria. **There is a significant lack of transportation and infrastructure at the site, posing a major obstacle to the feasibility of future development. Developer stakeholder outreach has indicated that addressing these issues would be extremely costly and almost eliminate entirely the possibility of an affordable housing development.**

The County may consider effective strategies for developing the open space around the jail. However, the lack of transportation and infrastructure at the site would lead to a very expensive development. There are **no plans in the County's current Active Transportation Plan to alleviate the transit issue**.

Significant factors impact the feasibility of future development at the site. Most notably, the lack of transportation and infrastructure. **Retention basins** south of the jail could impact the feasibility of housing development by necessitating costly mitigation efforts. In addition, the surrounding use of the jail could hurt the marketability of future development and may create a fair housing issue if affordable housing were to be built.

If the County decides to build on other sites that currently have homeless shelters or interim housing, those uses could potentially be relocated to this open space. For now, this site has **low redevelopment potential** due to its lack of infrastructure and the surrounding uses.

Site Constraints:

Infrastructure/Transit: The site does not have access to transit or infrastructure, which would lead to an expensive development.

Retention Basins: Retention basins pursuant to Laguna sanitation are located south of the jail building and could add mitigation costs to future development.

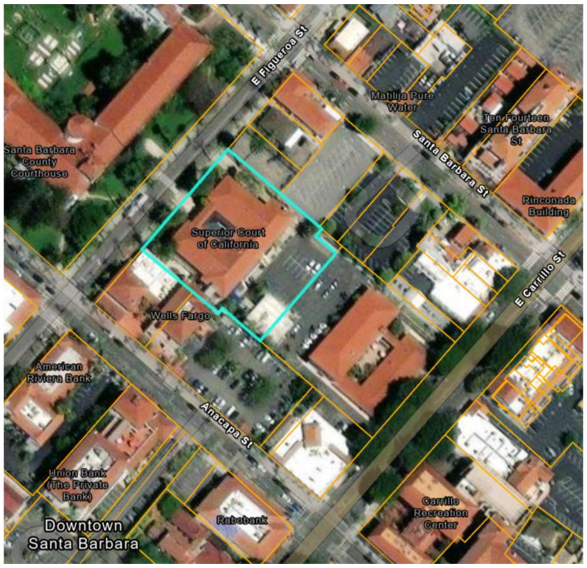
Surrounding Uses: The jail adjacent to the site may make the site difficult to market.

Recommended Next Steps:

1. Review lease agreements to determine if development on the site can occur.
2. Hold a subsequent developer outreach meeting to discuss the potential of developing housing on the open space surrounding the jail. Consider investing in the build-out of transportation and infrastructure to the site.
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for affordable housing development. Consider the space for a homeless shelter or interim housing development.

[1] *Lease and transfer agreement information was provided by Santa Barbara County.*

Tier 5. Site 15: County Superior Court - 118 East Figueroa Street, City of Santa Barbara
APN: 029-211-028 **Acreage:** 0.98, **Current Zoning:** C-G - Commercial General**, Land Use Description:** Office Buildings (multi-story), **HEU:** Not Included, **State-owned site**



Site Description and Factors Promoting Development:

This property currently houses the Santa Barbara County Superior Court and a parking lot. It is **owned by the State**, meaning the County does not have control over the site. While developer stakeholder feedback has indicated this location would be prime for housing development, **the lack of County site control severely hinders the site's potential for housing development.** A development here could potentially serve the downtown Santa Barbara and State Street retail workforce.

To increase the potential for redevelopment, the County should engage with the State to inquire about County acquisition of the site. Without site control, the County's ability to promote housing at this location is limited. The site is also **not on the list of State-owned sites available for affordable housing.**

There is little to no feasibility for a housing development without County control of the site. If the County were to acquire the site, there still may be existing leases or agreements to navigate before the site would be development ready. Aside from these significant factors, the location of the site would be ideal for affordable housing.

Until the County has control of the site, this parcel has **low development potential**.

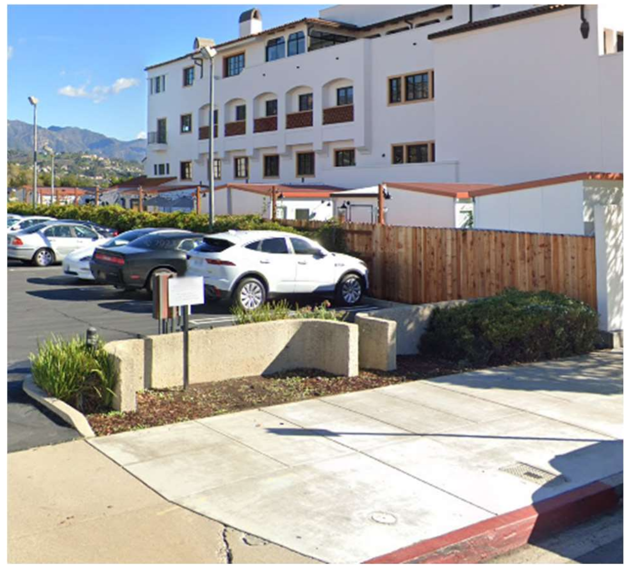
Site Constraints:

No Site Control: This site is owned by the State of California. The County has no control over the site.

Recommended Next Steps:

1. Engage in discussions with the State about the possibility of the County acquiring the site.
2. Review lease agreements to determine if development on the site can occur and if the relocation of the courthouse operations is feasible.
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for affordable housing development.

Tier 5. Site 16: Flag Lot, and Union Bank Lot - 1016 Santa Barbara Street, City of Santa Barbara
APN: 029-212-019, 029-212-026 **Acreage:** 0.56, **Current Zoning:** C-G - Commercial General, **Land Use Description:** Parking Lot, **HEU:** 13 Units (Rezone Not Applicable), **County owned site and Union Bank-owned site**



Site Description and Factors Promoting Development:

Site 16 includes two parcels totaling 0.56 acres within the City of Santa Barbara. The sites are adjacent to the planned new Probation Headquarters (highlighted in **red** in the aerial image above). **The parcel highlighted in blue above (Flag Lot) is County-owned** and currently houses the Dignity Moves Good Samaritan homeless shelter, whose lease expired earlier this year (2024). **The parcel highlighted green above is a parking lot owned by Union Bank.** The site has excellent access to amenities and was considered a great location for housing during developer stakeholder outreach. However, **without full control of the site and with the County-controlled parcel being fully utilized, development could be complicated and lengthy**. A development here could potentially serve the downtown Santa Barbara and State Street retail workforce as well as new Probation Headquarters staff.

The Flag Lot was included in the County's **Housing Element Update**. However, **the site by itself is small and has a narrow width**. During developer stakeholder outreach, developers noted that lots under 0.50 acres are generally not feasible for housing development, with 1 to 1.50-acre lots being ideal. The County has expressed a desire to pair the small lot with the neighboring Union Bank Lot to increase its potential for redevelopment.

The lack of complete site control significantly affects the site's feasibility. The County is in the negotiating stage of purchasing the Union Bank parking lot. A comparative sale analysis indicates that **acquiring the Union Bank parcel will cost around $3.4 million** at market value. Without the Union Bank Lot, the narrow width of the Flag Lot could complicate development as any significant utility easements that might be required will likely be at least 10 feet in width[1] which would hinder the site even further. If the Flag Lot were to develop the County would likely connect the development to the new Probation Headquarters in some way.

The County could issue a developer RFP for interest in developing the Flag Lot. However, considering the lack of complete control over the site and the potentially lengthy development timeline, this site has **low potential for redevelopment** at this time.

Site Constraints:

Not Complete Site Control: The Union Bank Lot, which is intended to be paired with the Flag Lot, is not owned by the County and would be costly to purchase on the open market.

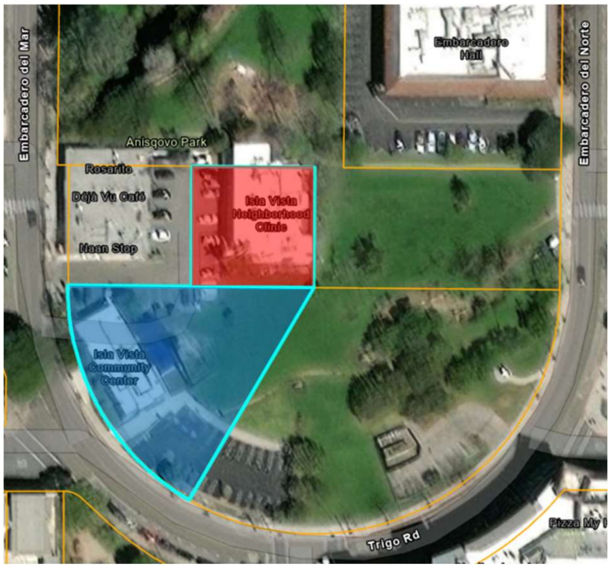
Flag Lot Size/Shape: The Flag Lot alone is small with a narrow shape that could complicate future development.

Recommended Next Steps:

1. Engage in discussions with Union Bank about the possibility of the County acquiring the site.
   a. If feasible, acquire the site and issue an RFP for affordable housing development while complying with the Surplus Land Act.
   b. If acquiring the Union Bank Lot is not feasible, hold a subsequent developer outreach meeting to discuss the potential of developing housing on the Flag Lot alone.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

[1]*Lease and transfer agreement information was provided by Santa Barbara County.*

Tier 5. Site 17: Isla Vista Community Center - 976 Embarcadero Del Mar, County Unincorporated
APN: 075-163-014, 075-163-017 **Acreage:** 0.82, **Current Zoning:** C-2 - Retail Commercial**, Land Use Description:** Store and Office Combination and Churches, Convent Rectory, **HEU:** Not Included, **County-owned site**



Site Description and Factors Promoting Development:

This **County-owned site** includes two parcels totaling 0.82 acres in the unincorporated Community Services District of Isla Vista. This site comprises the Isla Vista Community Center with a parking lot section and open space (highlighted in **blue** in the aerial image above) and an office building that houses, among other uses, a well-utilized neighborhood medical clinic (highlighted in **red** in the aerial image above). With the **current uses on the site being of community importance**, the County would prefer development to occur on either the site's open space or underutilized portions of the office building. A housing development here could serve staff at this office building, University of California, Santa Barbara staff, or other retail staff within the Isla Vista community. This would leave **too little area to feasibly develop into housing, as indicated during developer stakeholder outreach.**

To increase the potential for redevelopment, the County could attempt to relocate the office space while ensuring compliance with all existing leases. However, that process could be lengthy, a burden on the community, and could hinder community access to services provided in those offices.

There is little to no feasibility for a housing development without more developable land at the site. **According to developer stakeholder feedback, adaptive reuse of a portion of a building is likely not feasible due to factors that would lead to an expensive development.** These factors include the potential relocation of existing tenants while construction is being done on a portion of the building, mitigation efforts, and complicated development. These types of factors are extremely costly to affordable developers who already have thin margins. If the County were to proceed with development, it may also burden the community and lead to opposition.

Due to the site's multiple current uses that are important to the community, there is insufficient space for housing redevelopment, resulting in **low potential** for this site.

Site Constraints:

Community Importance: The Isla Vista Community Center and medical clinic are important to the community.

Developable Area: The developable area at the site is too small to feasibly develop into housing. Adaptive reuse of a portion of the office building doesn't seem feasible either.

Recommended Next Steps:

1. If the County is interested in the development potential at this site, hold a subsequent developer outreach meeting to discuss the potential of developing housing at this site.
    a. If the feedback is positive, review lease agreements to determine if and where development on the site can occur.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

Tier 5. Site 18: Solar Panel Parking Lot - 881 Embarcadero Del Mar, County Unincorporated
APN: 075-111-015 **Acreage:** 0.39, **Current Zoning:** C-2 - Retail Commercial and SR-H-20 - High Density Student Residential, **Land Use Description:** Parking Lot, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

This 0.39-acre **County-owned site** is currently utilized as a parking lot with solar panel canopies. The parking lot has a lease with the Paradise Ivy Limited Liability Company that expires in 2062, and a permanent easement with SoCal Edison of 12 feet by 10 feet surrounding a transformer pad and transformer in the southwest corner of the parcel[1] (approximately outlined in **red** in the aerial image above). As a part of the lease, the County is required to provide 15 spaces out of the parking lot to a residential development nearby. A development here could serve University of California, Santa Barbara staff, or other retail staff within the Isla Vista community. While the site's location is favorable for housing, While the site's location is favorable for housing, **the development would end up being too costly. Developer stakeholder feedback has also indicated that this site would be too small to develop feasibly.**

It has been proposed by County staff that the County relocate the required 15 spaces with the existing solar panels to be moved to the roof of a future development. This plan seems unlikely, however, a construction management expert at Harris with over 23 years of experience has indicated that parking lot solar panels are not designed for installation on the top of a building. They would most likely need to be replaced with any redevelopment. There are multiple factors affecting the feasibility of this site. **According to developer stakeholder feedback, the size of this site would not be suitable for affordable housing development**. Negotiating existing leases and easements delay and complicate development while limiting the site's developable area. Furthermore, the existing solar panels cannot be removed or relocated easily. The existing easement, small developable area, and complications with the existing solar panels give the site **low redevelopment potential**.

Site Constraints:

Existing Leases/Easements[1]: There is an existing lease at the site between the County and the Paradise Ivy Limited Liability Company (expires 2062) and a permanent easement with SoCal Edison.

Developable Area: The developable area at the site is too small to feasibly develop into housing.

Existing Solar Panels: Plans to relocate or replace the existing solar panels would be costly.

Recommended Next Steps:

1. If the County is interested in the development potential at this site, host a focused developer outreach meeting to discuss the potential of developing housing at this site.
    a. If the feedback is positive, review lease agreements to determine if and where development on the site can occur.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for affordable housing development.

[1]*Lease and transfer agreement information was provided by Santa Barbara County.*

Tier 5. Site 19: Sweeney Campus - 2025 Sweeny Road, County Unincorporated, APN: 099-420-016
Acreage: 10.04, **Current Zoning:** AG-II-40 - Agricultural II**, Land Use Description:** Public Buildings, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

This 10.04-acre **County-owned site** is currently utilized as the Bridge House homeless shelter. The shelter has an agreement in place to utilize the site until 2026[1]. **There is a lack of high-quality transportation and infrastructure at the site, which poses a significant obstacle to the feasibility of future housing development. Developer stakeholder outreach has indicated that addressing these issues would be extremely costly and almost eliminate entirely the possibility of an affordable housing development.** Additionally, given its location approximately one mile outside the City of Lompoc, a development here without access to high quality transit may not be very marketable to workforce residents.

The development of this site would require the demolition of the existing shelter, along with bringing sewer utilities to the site. There is a City of Lompoc Transit bus stop at Bridge House, but there are only three stops per weekday and only two on the weekends. The lack of high-quality transportation and infrastructure at the site would lead to a very expensive development. There are **no plans to alleviate the transit issue in the County's current Active Transportation Plan**. Significant factors impact the feasibility of future development at the site. Existing leases are in place at the site until 2026. In addition, **the site is located within a Flood Hazard Overlay**, which could create development complications and expensive mitigation efforts. Overall, the redevelopment process would be very expensive and time-consuming, and it is unlikely to result in Workforce housing if developed at all. The site's infrastructure constraints and potentially expensive development make this a site with **low redevelopment potential**.

Site Constraints:

Infrastructure/Transit: The site does not have access to high-quality transit or infrastructure (including sewer access), which would lead to an expensive development.

Existing Leases/Easements[1]: There is an existing agreement at the site between the County and the shelter (expires 2026).

Floodway: The site is located within a Flood Hazard Overlay which could require expensive mitigation efforts.

Recommended Next Steps:

1. If the County is interested in development at this site, host a focused developer outreach meeting to discuss the potential of developing housing here. Consider investing in the build-out of transportation and infrastructure to the site, including coordinating with the City of Lompoc to add more stops at the Bridge Shelter bus stop.
    a. Renegotiate the existing agreement or let it end.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for housing development.

[1]*Lease and transfer agreement information was provided by Santa Barbara County.*

Tier 5. Site 20: Parcels Near Solvang - 940-942 Ballard Canyon Road, County Unincorporated
APN: 137-710-016, 137-710-017 **Acreage:** 18.79, **Current Zoning:** AG-I-10 - Agricultural I**, Land Use Description:** Proper Improvement, **HEU:** Not Included, **County-owned site**

Site Description and Factors Promoting Development:

Site 20 is made up of two **County-owned** parcels that were **previously landfills** totaling 18.71 acres. The parcels are overseen by the Public Works Department and there is a residential development that is threatening legal action if the lease terms are changed. The lease terms with the residential home expired in 2013[1]. **There is a significant lack of transportation and infrastructure at the site, posing a major obstacle to the feasibility of future development. Developer stakeholder outreach has indicated that addressing these issues would be extremely costly and almost eliminate entirely the possibility of an affordable housing development.** Additionally, given its location approximately two miles outside the City of Solvang, a development here without access to high-quality transit may not be very marketable to workforce residents.

The development of this site would require a build-out of infrastructure and transit to the site. The lack of these essentials at the site would lead to a very expensive development. There are **no plans to alleviate the transit issue in the County's current Active Transportation Plan**.

Significant factors impact the feasibility of future development at the site. In addition to the lack of transit and infrastructure, **the site is also approximately 0.50 miles from a Flood Hazard Overlay**, which could create development complications and expensive mitigation efforts. Any potential project here would be both timely and costly due to the need for an Environmental Impact Report and mitigation measures in order to redevelop the land for housing.

The redevelopment potential is low at this site given the environmental and safety concerns compounded with the likely high potential development cost.

Site Constraints:

Infrastructure/Transit: The site does not have access to transit or infrastructure, which would lead to an expensive development.

Existing Agreements[1]: Lease terms with the residential home expired in 2013. The existing tenant has also threatened legal action if the terms are changed.

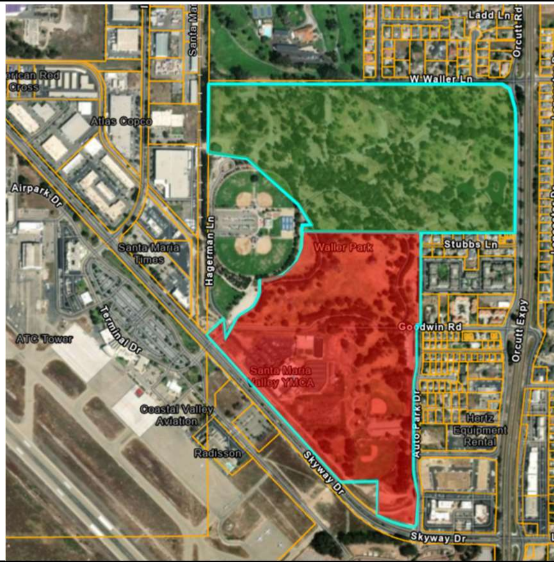
Environmental Concerns: The site was previously a landfill, leading to potential environmental justice issues, and it is near a floodway, creating safety concerns and potentially expensive mitigation efforts.

Recommended Next Steps:

1. Review the lease agreement to determine if development on the site can occur.
    a. If the County wishes to pursue development at this site, host a focused developer outreach meeting to discuss the potential of developing housing at the site.
    b. Consider investing in the build-out of transportation and infrastructure to the site.
2. Complete Surplus Land Act requirements.
3. Develop and issue a request for proposals for housing development.

[1]*Lease and transfer agreement information was provided by Santa Barbara County.*

Tier 5. Site 21: Waller Park and the Santa Maria Valley YMCA - 300 Goodwin Road, County Unincorporated, APN: 111-100-018, 111-100-015 Acreage: 136.08, Current Zoning: REC - Recreation, Land Use Description: Parks, HEU: Not Included, County-owned site



Site Description and Factors Promoting Development:

This **County-owned site** is comprised of two parcels totaling 136.08 acres. The parcels are the current location of Waller Park (highlighted in **green** in the aerial image above), and the Santa Maria Valley YMCA (which has a lease that expires in 2027[1]) and neighboring open space (highlighted in **red** above). The Santa Maria Airport is also within 0.50 miles of the site. The site could be a good location for affordable housing, given its access to amenities within the City of Santa Maria and to residential development. **However, redevelopment of the site would be challenging due to various land constraints and potential community opposition.** A development here could serve staff at the YMCA, or the nearby Santa Maria Airport, among other Santa Maria or Orcutt community members.

A future development at this site would likely build on the available, currently vacant open space. The open space at the YMCA parcel (highlighted in **red** above) appears to be a **well-maintained** extension of Waller Park with a playground and vegetation. **Park land can be highly protected and can be a contentious issue when considering converting it into housing.**

Significant factors impact the feasibility of future development at the site. The park area looks to be well maintained and could become a contentious issue if converted into affordable housing. With a **Flood Hazard Overlay area and the Santa Maria Airport being within 0.50 miles of the site**, costly mitigation efforts could also be needed. These mitigation efforts would include flood mitigation, noise mitigation, and pollution/air quality concerns.

These factors make this site's **potential for redevelopment low**.

Site Constraints:

Existing Leases/Easements[1]: There is an existing lease between the County and the Santa Maria YMCA (expires 2027. The County is able to terminate the lease within 60 days of notification).

Environmental Concerns: A Flood Hazard Overlay area and the Santa Maria Airport are both within 0.50 miles of the site, which could require expensive mitigation efforts.

Park Land: Park land can be highly protected and a potentially contentious issue when considering converting it into housing.

Recommended Next Steps:

1. Review the lease agreement to determine if development on the site can occur.
2. If the County still wants to pursue development at this site, hold a subsequent developer outreach meeting to discuss the potential of developing housing at the site. Consider community outreach as well.
3. Complete Surplus Land Act requirements.
4. Develop and issue a request for proposals for affordable housing development.

[1]*Lease and transfer agreement information was provided by Santa Barbara County.*

3 FEASIBILITY ANALYSIS

As part of the analysis to determine redevelopment potential conducted on the 21 opportunity sites within the County, the feasibility of Workforce housing development was also analyzed. Constraints and factors promoting development were assessed at each site, considering site feasibility and best practices in the affordable housing industry. Developer stakeholder outreach was then conducted to receive feedback on the most feasible housing sites.

Several key factors affecting affordable housing feasibility emerged from the feedback provided by developers:

- Lot sizes feasible for redevelopment are 0.50 acres at minimum. (Preferably 1 to 1.50 acres.)
- Relocation responsibilities are very costly to developers. The County should undertake relocation efforts where applicable.
- Existing leases/agreements result in timing delays for developments and can be expensive to negotiate. The County should not undertake any lease negotiation efforts where applicable.
- Other costly factors to mitigate:
  - Existing easements
  - National Historic Registry listing
  - Steep grading and slopes
  - Lack of existing infrastructure
  - Flood Hazard Overlays
  - Environmentally Sensitive Habitat Overlays
  - Existence of Indigenous artifacts

For a site to be realistically developer-ready, the above-listed factors should all be taken into account. This is particularly true when developing Workforce housing, where the profit margins for costly development can be much smaller.

Table 2. Housing Feasibility Analysis outlines the development feasibility of the housing sites with the highest redevelopment potential, and provides context regarding the type of housing project to best suit the site's characteristics. The site profiles located in Section 2 of this document outline all 21 sites in greater detail.

Table 2. Housing Feasibility Analysis

Site/APN	Developer Feeback	Feasibility Analysis
SITE 1: CURRENT PROBATION BUILDING - TIER 1 **CITY OF SANTA BARBARA** **APN: 029-211-025** **ACREAGE: 0.97** **ZONING: COMMERCIAL GENERAL** **HEU: 48 UNITS**	The downtown Santa Barbara area is an "excellent" location for housing due to its access to amenities and existing budgets. This site specifically received high praise for its redevelopment potential.	• Based on developer feedback and given site acreage, current zoning, density allowed, location, and access to amenities, this site could be suitable for a 48-unit apartment or live/work development targeting Low Income to Moderate Income Workforce.
SITE 2: BETTERAVIA GOVERNMENT CENTER UNOCCUPIED OPEN SPACE - TIER 1 **CITY OF SANTA MARIA** **APN: 128-085-043** **ACREAGE: 1.73** **ZONING: PLANNED DEVELOPMENT/ COMMERCIAL AND PROFESSIONAL OFFICE** **HEU: N/A**	The site is a good size, flat, and near commercial and recreational amenities and social services, giving it high redevelopment potential. The County should strongly consider combining the adjacent parcel (Site 7) to create a contiguous flat parcel of land.	• This site could be an ideal location for affordable and potentially permanent supportive housing due to its size, access to social services and healthcare, and existing infrastructure. The parcel just south of the site currently has 94 interim housing units, and single-family development located southwest of the site. • If the site is redeveloped, it could be realistic to develop approximately 95 units of permanent supportive housing or alternatively, small lot single family homes for Low Income Workforce.
SITE 3: FOOD BANK - TIER 2 **COUNTY UNINCORPORATED** **APN: 061-040-020** **ACREAGE: 0.67** **ZONING: RECREATION** **HEU: 14 UNITS**	A nearby 9% Low-Income Housing Tax Credit application project and social services in close proximity indicate that the site is in a high-resource area and is a good location for development. There were some questions, however, about the base flood elevation at the property and the availability of surrounding parking lots.	• A project here could have a competitive California Tax Credit Allocation Committee application and is a good site for affordable housing development. The County should work with developers on flood mitigation and parking issues. • With a nearby proposed affordable development realizing a density of over 60 dwelling units per acre, and the

Site/APN	Developer Feeback	Feasibility Analysis
		County's Housing Element Update stating the site could develop 40 to 50 units per acre, a 34-unit multi-family apartment development serving Low Income Workforce is realistically developable at this site. The County's Housing Element Update projected 14 lower-income units.
SITE 4: COUNTY ADMINISTRATION, ENGINEERING, AND HUMAN RESOURCES BUILDINGS - TIER 3 **CITY OF SANTA BARBARA** **APNs: 029-121-020, 029-121-022, and 029-121 023** **ACREAGE: 3.69** **ZONING: COMMERCIAL GENERAL** **HEU: N/A**	The property is well located for residential use and is easily accessible and walkable. Adaptive reuse is suggested, potentially partnering with a private developer to repurpose the existing administrative building into housing without demolishing it and incorporating a courtyard. Utilizing the adjacent parking lot for residents may also be beneficial due to the high demand for parking in the area. Requests for Proposals should include: • Proposed plans, • Availability of hazardous waste reports, • Concessions offered to developers, • Offsite improvements, • Consideration of stormwater requirements, • Assessment for historical value, • Clearance for entitlement (if any city processing is required), and • Considerations regarding the ground lease, specifically whether the County intends to retain the property or sell it. It is also important to confirm that there is no responsibility for relocation.	• This is a good-sized site with an excellent location and potential for adaptive reuse per developer feedback and consultant analysis. Once existing uses are relocated, which will take some time, affordable housing will be feasible. • Based on developer feedback and considering the density allowed at the site's current zoning, a 46-unit apartment development or a live/work development with approximately 25 units and two to four office spaces that serve Low Income to Moderate Income Workforce is realistically feasible to develop at this site.
SITE 5: LA POSADA - TIER 3 **COUNTY UNINCORPORATED**	A nearby 9% Low-Income Housing Tax Credit application project indicates that the site is in a high-resource area and is a good location for	• A project in this area could score highly on a competitive California Tax Credit Allocation Committee application and is a suitable location for affordable housing

Site/APN	Developer Feeback	Feasibility Analysis
APNs: 061-040-012 and 061-040-024 **ACREAGE: 10.50** **ZONING: RECREATION** **HEU: 75 UNITS**	development. Building on the flat part of the lot is feasible due to its size, but constructing on the rest of the lot would be difficult because of the high costs associated with building retaining walls and grading. The existing lease could also prolong the construction timeline. Another factor to consider is whether there is a need to upgrade the water and sewer lines along the route that extends from Hollister Road up through the road to the former Juvenile Hall, which could be very expensive. It would be helpful for developers to have a topographical map and as-built documents for the Juvenile Hall for site analysis. Due to recent storms in the area, it is also important to consider the possibility of a water moratorium, as projects in the Goleta water district may be subject to a moratorium for at least three years unless the County has its own water source.	development, provided that its infrastructure concerns are addressed. The site's existing leases and demolition time needed for the site to be developer-ready creates a longer timeline for development. • With a nearby proposed affordable development achieving a density of over 60 dwelling units per acre (36 units), and the County's Housing Element Update determining the site could support 40 to 50 units per acre, it is conservatively projected that a 74-unit apartment development serving Very Low Income to Low Income Workforce could be developed at this site. The County's Housing Element Update projected 75 units.
SITE 6: CALLE REAL CAMPUS - TIER 3 **COUNTY UNINCORPORATED** **APNS: 059-140-023 AND 059-140-029** **ACREAGE: 205.34** **ZONING: RECREATION** **HEU: 116 UNITS**	This site has clear plans set forth in the Calle Real Master Plan, but development here could be complicated by an environmentally sensitive habitat overlay and challenging topography. The potential for affordable housing development here may be determined by project scale and how many units can be assumed.	• With clear plans for development and good access to amenities and infrastructure on the site, the Calle Real Master Plan should be developable as planned, provided that the County meets the needs of developers. Existing leases and demolition time needed for the site to be developer-ready create a longer timeline for development. • The County's Housing Element Update projects 116 total units at these Calle Real Master Plan housing sites (Child Family Services Lot, Archives Parking Lot, and Above Behavioral Wellness Deck in the Housing Element Update.

Site/APN	Developer Feeback	Feasibility Analysis
SITE 7: BETTERAVIA GOVERNMENT CENTER OCCUPIED OPEN SPACE - TIER 3 **CITY OF SANTA MARIA** **APN: 128-085-044** **ACREAGE: 1.80** **ZONING: PLANNED DEVELOPMENT/ COMMERCIAL AND PROFFESSIONAL OFFICE** **HEU: N/A**	This site has good acreage according to developer feedback, is flat, and is near commercial amenities, jobs, and recreation. This site has high redevelopment potential. The County should strongly consider combining the adjacent parcel (Site 2) to create a contiguous flat parcel of land.	• This site could be an ideal location for affordable and potentially permanent supportive housing due to its size, access to social services and healthcare, and existing infrastructure. The timeline of development for this site is delayed due to an existing lease (through 2028). However, if the site's existing use of the Hope Village homeless shelter is considered successful in its purpose and services, the County should reconsider moving it. • The shelter has 94 permanent supportive housing units (tiny homes), with single-family development located southwest of the site. • If the site were to be redeveloped, it would be realistic to develop approximately 95 units for Very Low Income to Low Income Workforce.
SITE 12: FOSTER ROAD FACILITIES AND OPEN SPACE - TIER 4 **CITY OF SANTA MARIA** **APN: 111-231-004** **ACREAGE: 89.41** **ZONING: PUBLIC FACILITIES** **HEU: N/A**	Due to the uses surrounding the site, marketability of future development is an issue if targeting Moderate- and Above Moderate Income levels. The county/a developer could mitigate this with landscaping techniques to give an isolated feel, but that would add costs to the development. This site appears to be within a fairly industrial area. However, there also seems to be residential across the street, so housing development is reasonable.	• The site has vacant, developable land available, but negative externalities surrounding the site would make it difficult to market. This site may be better suited for interim housing versus workforce housing. However, there may be community concerns as a more short-term project and effort had been communicated in the past. • Using assumptions from other County-owned sites in the Housing Element Update, it is conservatively projected that approximately 150 housing units could be developed at this site. Were the County to plan development of workforce housing as opposed to longer-

Site/APN	Developer Feeback	Feasibility Analysis
		term interim housing, single-family development targeting Low Income Workforce could be considered.

4 DISCLAIMER

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

COUNTY of
SANTA BARBARA

Stakeholder Outreach

Memorandum

Harris & Associates

Table of Contents

EXECUTIVE SUMMARY

During preparation of the Affordable Workforce Housing Development & Preservation Study, Harris & Associates ("Harris") and the County convened several key stakeholder meetings to gather valuable insights into the perspectives, strategies, and experiences related to workforce housing development throughout the County. Harris and the County met with local developers, employers, and leaders of school districts, as well as several organizations focused on housing and community development issues. Of the 70 organizations invited to participate, 15 took part in nine meetings held throughout late April 2024 to early August 2024.

The following organizations participated in stakeholder meetings with Harris and the County:

- League of Women Voters of Santa Barbara
- Goleta Union School District
- Santa Barbara Foundation
- Housing Trust Fund of Santa Barbara County
- Habitat for Humanity of Southern Santa Barbara County
- People's Self-Help Housing Corp
- Urban Planning Concepts, Inc.
- Snyder Langston
- The Oak Creek Company
- Frank Thompson Housing Consultants
- Romo & Associates
- Lompoc Unified School District
- Coastal Housing Partnership
- Santa Barbara County South Coast Chamber of Commerce
- Housing Authority of the County of Santa Barbara
- Housing Authority of the City of Santa Barbara

Throughout stakeholder meetings, stakeholder comments indicated:

Housing costs in Santa Barbara County affect workers at all income levels, including Very Low-Income employees, as well as workers earning above the Area Median Income.

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

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

Stakeholder meetings with developer organizations affirmed that the workforce housing development process is complex and 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.

Developers would benefit from additional informational resources specific to County regulations to help navigate the development process.

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

1 DISCUSSION PROMPTS

Several key points of discussion were identified for use across the various stakeholder meetings held. **Figure 1** provides an overview of discussion prompts that were utilized across the various stakeholder meetings.

Figure 1. Discussion Prompts

Topic	Prompt	Topic	Prompt
Market Demand & Feasibility	• Market demand and needs for workforce housing across Santa Barbara County. • Feasibility of workforce housing projects in terms of land availability, construction costs, and potential return on investment.	**Workforce Housing Needs**	• Current housing challenges faced by employees, particularly in terms of affordability, accessibility, and proximity to the workplace. • How have employee recruitment, retention, and overall workplace stability been affected by these housing issues? • How would organizations like to address housing needs for their staff?
Development Strategies to Workforce Housing Development	• Examples of successful workforce housing projects developed in similar markets, and factors that contributed to the success of these projects.	**Barriers to Workforce Housing Development**	• Biggest barriers to workforce housing in and around Santa Barbara County (e.g., governmental constraints, geological barriers, zoning, and how these barriers have been addressed.
Strategies for Partnerships and Collaboration	• Strategies for approaching partnerships with local governments, nonprofits, and other stakeholders to facilitate the development of workforce housing. • Potential opportunities to work with landowners benefitting from California Senate Bill 4 ("Yes in God's Backyard").	**Long-Term Impact & Vision**	• How employers expect workforce housing development to impact their organization's competitiveness, productivity, and overall business success over the long term. • Long-term visions for addressing housing affordability and workforce housing needs in the community.
Innovative Financing and Incentives	• Financing mechanisms or incentives utilized to support workforce housing development, including tax credits, subsidies, or public-private partnerships. • Emerging financing models or creative funding sources that may be leveraged for workforce housing initiatives.	**Policy and Advocacy**	• Roles that the government can play in supporting/facilitating the development of workforce housing, according to employers, and what specific policies or actions they would recommend.

DISCUSSION PROMPTS

Topic	Prompt	Topic	Prompt
Community Engagement	• How have developers engaged with local communities and stakeholders throughout the development process to address concerns, gather feedback, and build support for workforce housing projects?	**Long-Term Stewardship**	• Strategies to ensure the long-term affordability and sustainability of workforce housing development beyond the initial construction phase. • Mechanisms in place for property management, maintenance, and resident support services to promote housing stability and resident well-being.
Regulatory and Policy Considerations	• Regulatory barriers or policy challenges that have affected workforce housing development, and how developers have navigated these obstacles. • Specific policy changes or zoning reforms that could facilitate the development of workforce housing in the community. • How the rezones following the adoption of the County's 2023-2031 Housing Element have affected developers looking to build housing. • Roles that government can play in supporting/facilitating the development of workforce housing, according to employers, and what specific policies or actions they would recommend.	**Employer Support**	• Specific actions or initiatives that employers have undertaken to support employee housing. • Resources or support that employers could provide to further the development of workforce housing (e.g., financial contributions, land donation, employer-sponsored housing programs). • Existing Corporate Social Responsibility (CSR) initiatives or employee benefit programs that could be expanded to include housing support. • Feedback employers have gathered from employees regarding housing preferences, challenges, and needs.

2 FINDINGS

Housing Developers & Housing Advocates

Meeting Summary:
Harris and the County met with leading developers and housing advocates in Santa Barbara County, including members of 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., Frank Thompson Housing Consultants, and Urban Planning Concepts, Inc.

Harris and the County also met with Snyder Langston, a construction company founded in 1959 that has developed various housing projects in Southern California. Specifically, Snyder Langston helped to develop and sell the housing units within Cottage Hospital's Bella Riviera project in the City of Santa Barbara. As noted in Chapter 4, Bella Riviera served as an important case study that illuminated strategies and potential challenges for developers seeking to build workforce housing projects within the County.

Findings:

- Significant need for workforce housing observed across a broad range of income levels and household sizes.
- County residents struggle to afford ownership housing; developers have observed a significant need for downpayment assistance.
- Townhome projects, which are an emerging trend in the region, may help to address workforce needs.
- Key barriers involve fees, environmental review, design standards, and entitlements.
- Deferring impact fees to the Certificate of Occupancy would benefit developer organizations.
- Shortening the entitlement path may help incentivize developers to build new housing.
- Developers would benefit from resources designed to help individuals understand the requirements and regulations involved in housing development.
- Community leadership teams and private-public sector partnerships can help to advance workforce housing needs, while non-profits can help to provide funding.
- The Bella Riviera project featured a mix of workforce housing units and market-rate units. The project was constructed in three phases, beginning with the market-rate homes. Cottage Hospital System used proceeds from the sale of market-rate housing units to finance the development costs of the workforce housing portion.
- The City of Santa Barbara was supportive of the Bella Riviera project and helped to streamline the development process. Challenges included high permitting and entitlement costs, prevailing wages, and off-site requirements.
- Strategies to mitigate challenges on Bella Riviera included off-site improvements, designing parking count, objective design standards, and utilizing design elements, product types, and construction types well-suited for moderate and workforce housing.
- Snyder Langston recommended pairing workforce units or moderate units with market-rate units.

School District Stakeholder Meetings
Goleta Union School District & Lompoc Unified School District

GOLETA UNION SCHOOL DISTRICT

LOMPOC UNIFIED SCHOOL DISTRICT

Trusting Relationships + High Expectations = Every Student Achieves

Meeting Summary:
Harris and the County met with leading members of the Goleta Union School District, as well as the Lompoc Unified School District. In both meetings, the School District leaders emphasized that their employees have demonstrated a significant need for workforce housing.

For example, Goleta Union School District employees, particularly Very Low-income 'classified' employees such as bus drivers, school meal preparation staff, paraeducators, and custodial crew members, had expressed interest in learning more about affordable housing opportunities. This observation was considered when redefining the 'workforce' income level to 30%-120% with respect to rental housing.

Findings:

- Local housing costs affect Goleta Union School District employees at all income levels.
- Classified employees, who are generally Very Low Income, have expressed significant interest in learning more about affordable housing opportunities.
- New employees moving from outside the County struggle to afford local housing costs.
- Affordable housing processes can be difficult to understand, particularly for non-native English speakers.
- Limited land is available for new development of workforce housing.
- Recruitment and retention of employees is a key issue in the Lompoc Union School District.
- While the Lompoc Unified School District has identified two of its land properties as potential development sites, there have been no conversations with developers to date.
- Funding and potentially complicated CEQA processes are two potential obstacles to workforce housing development.
- Workforce housing is key to addressing the need to attract and retain new employees.
- The local community understands the need for housing and would likely be supportive of workforce housing projects that impact education for children in the community.

Housing Authority of the County of Santa Barbara & Housing Authority of the City of Santa Barbara	Meeting Summary:
	Harris and the County met with leading members of the Housing Authority of the County of Santa Barbara. as well as the Housing Authority of the City of Santa Barbara. These public agencies seek to provide safe and affordable housing to eligible local residents with limited incomes.

Findings:

- Partnerships have played a key role in successful workforce housing projects. Past partnerships include the Quality Inn acquisition project with the Santa Barbara Foundation.
- School districts and churches with surplus land are potential partners for housing projects. Both housing authorities currently have partnerships with the Santa Barbara Unified School District.
- New construction is necessary to address housing issues.
- Actions that can be replicated by other jurisdictions include fee deferrals, streamlined entitlements, and property tax exemptions.
- It is important to collect feedback from local communities and respond to their specific needs and preferences.
- Rezones through the updated housing element will accelerate new development.

League of Women Voters of Santa Barbara	Meeting Summary:
	The County also met with the League of Women Voters of Santa Barbara, a non-governmental political organization involved in several community issues including housing and homelessness. During this meeting, the League of Women Voters attendees presented data relating to housing needs across different income levels. Next, the League offered several recommendations to address the issue of workforce housing in the County.

Findings:

- Workforce housing efforts should address the income groups with the highest needs for housing.
- New funding sources should be provided for affordable housing; there has been no steady stream of income for the provision of affordable housing since the Redevelopment Agencies were dissolved in 2011.
- County-owned sites should be utilized for the development of affordable housing.
- Housing development efforts should incorporate a local preference to help County residents.
- Needs are highest at lower income levels; many industries in the County consist primarily of Low and Very Low Income workers.
- Since the majority of new housing developments are rental properties, the County's Inclusionary Housing Ordinance should be updated to incorporate rental housing.

Coastal Housing Partnership	**Meeting Summary**: Harris interviewed the Coastal Housing Partnership, an organization founded in 1987 that helps to create pathways to homeownership opportunities for the workforce. In this meeting, Harris sought to gain insight into the perspectives, priorities, and potential contributions of large employer groups on the issues of workforce housing. The Coastal Housing Partnership attendees helped to illuminate several key issues regarding employers and workforce housing in the County.
COASTAL HOUSING PARTNERSHIP	

Findings:

- Rising home prices and housing affordability issues in the County have limited the use of Coastal Housing Partnership programs.
- Approximately 16,000 employees have completed a homebuying education program offered by Coastal Housing Partnership.
- A significant number of employees have declined in-person job offers in the County due to local housing costs.
- Coastal Housing Partnership has supported employers by providing second mortgages, down payment assistance, and other services to encourage employees to move close to their workplaces.
- Employee feedback indicates that local homeownership opportunities affect employee retention.
- Employee retention issues due to housing costs can cause employers to consider relocating to other cities or states.
- Non-profits that are funded by local businesses are at risk of employers deciding to move to other regions.
- Santa Barbara homeowners, on average, purchase their homes at a significantly higher price than their counterparts in other jurisdictions.
- Housing development can be incentivized if developers have more certainty in the development process, more land acquisition options, and a more efficient timeline.

Santa Barbara South Coast Chamber of Commerce	**Meeting Summary:** Harris and the County met with the Santa Barbara South Coast Chamber of Commerce, an organization focused on supporting business, promoting economic development, and enhancing tourism within Santa Barbara County's South Coast region. The Santa Barbara South Coast Chamber of Commerce Chamber of Commerce represents 1,100 businesses and 75,000 jobs across this region. In this meeting, Harris focused on the challenges faced by employers and employees related to housing, including affordability, accessibility, and proximity to the workplace. Furthermore, Harris and the Santa Barbara South Coast Chamber of Commerce discussed the impact of housing issues on employee recruitment, retention, and overall workforce stability.
SANTA BARBARA SOUTH COAST CHAMBER OF COMMERCE FROM GOLETA TO CARPINTERIA	

Findings:

- Challenges for local businesses include difficulty in recruiting a qualified workforce, housing affordability for employees, competing regulations, and conflicts between the Coastal Commission and local land use.
- Zoning restrictions and Fair Housing Act (FHA) limitations have hindered the ability of employers to build workforce housing on their City-based land assets and parking lots.
- Although many employers have offered housing subsidies, relocation fees, move-in fees, and increased compensation, many job openings remain vacant.
- The organization's new Employer Sponsored Housing Consortium allows employers to buy into a consortium that will purchase newly constructed, market-rate housing units.
- Santa Barbara South Coast Chamber of Commerce is working with community banks to identify commercial lenders or Small Business Administration loans to fund an employer's participation in the consortium fund.
- The local government supports the Consortium concept and is helping to identify developers willing to collaborate with the Santa Barbara South Coast Chamber of Commerce for new development projects.

Housing Developers – Opportunity Sites

Meeting Summary:

After the initial meeting held with developers, Harris held an additional outreach meeting to discuss with developers the redevelopment potential of County-owned opportunity sites. Participants included representatives from People's Self-Help Housing Corp., Urban Planning Concepts, Inc., Snyder Langston, The Oak Creek Company, Romo & Associates, Housing Authority of the County of Santa Barbara, and Housing Authority of the City of Santa Barbara,

Based on site profiles and site characteristics provided before the meeting, developers presented Harris with insight regarding what aspects of these sites might lend to the viability of some of the sites versus characteristics that might present barriers to redevelopment for other proposed sites.

Developer participants were also able to provide Harris with insight regarding what initial steps would need to be taken to cultivate interest on the part of developers for some of the sites presented. It should be noted sites presented at this meeting were only a sample of opportunity sites currently under consideration for redevelopment into affordable workforce housing.

Findings:

- Of the nine (9) sites discussed with developers, it was determined that three(3) had a very high redevelopment potential while the remaining sites had barriers to redevelopment that would require mitigation to be strong contenders for redevelopment for potential developers.
- General findings that applied across the board to all opportunity sites included:
    - Lot sizes preferable for redevelopment are 1-1.5 acres.
    - Relocation responsibilities are costly.
    - Existing leases could result in timely delays for developers.
    - Existing easements, historical registry, grading, lack of infrastructure, hazard, and noise mitigation are all costly and provide barriers to redevelopment on sites that have these characteristics.

3 THEMES INFORMING STRATEGIES

Several key issues discussed in this meeting were used to inform Harris' suggestions and recommendations in the Study. Provided below are some examples of how stakeholder engagement helped to inform the recommendations presented in the strategic implementation plan and discussed throughout the memos.

Inclusionary Housing Revisions

Recommendations: Update Inclusionary Study and Revise Inclusionary Housing Ordinance

- Outreach insight helped to suggest a recommendation to change the 'workforce' income range from the existing 120% - 200% to to 30%-120% of Area Median Income, due to the percentage of workers in the County that fell within these lower income levels and housing affordability gaps, as addressed in Chapter 2.
- Feedback provided aligned with Harris' findings to suggest updating the Inclusionary Housing Ordinance to include rental housing projects, with meeting participants noting the existing Inclusionary Housing Ordinance does not pertain to new rental housing development, presenting a missed opportunity to help increase the development of affordable workforce housing.

Affordable Workforce Housing Stock

Recommendations: Encourage the use of Public-Private Partnerships (PPPs) – Private Equity; Provide Incentives or Offer County Land Resources for Employers to Build Employee Housing; Explore the Creation of Community Land Trusts (CLTs)

- As part of the extensive research conducted on County-owned sites with potential for workforce housing, Harris and the County met with developers for a second round of outreach to discuss a number of these sites to help provide insight on redevelopment potential for affordable and workforce housing development.
- During outreach with developers, it was suggested that the County consider the utilization of public-private partnerships in the redevelopment of County owned sites as a means for mitigating finaical barriers to redeveloping the sites, tapping into innovative and effcient design for sites, and assting with long-term management and maintenance needs of affordable workforce housingdevelopments envisoned for these sites.

Accessibility to Information and Additional Resources

Recommendations: Revise Affordable Houaing webpage and Create a Workfroce Houaing webpage on the County's website; Expedite Housing Element Programs Implementation; Provide 100% Density Bonuses (including alignment with Assembly Bill 1287) for Projects that Exceed Inclusionary Requirements; Additional Zoning Amendments on additional properties beyond the Housing Element sites to allow for By Right Development

- Outreach identified that those interested in finding out more ifnromation on affordable workforce housing often find the affordable housing process difficult to understand, particularly for non-native English speakers.
- For developers, aspects of the development process can present barriers to development and additional resources and assistance in navigating the development process would assist in the development of more housing.

4 DISCLAIMER

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

ACKNOWLEDGEMENTS

County of Santa Barbara
Joseph Dzvonik, Deputy Director, Housing and Community Development, County of Santa Barbara
Andrew Kish, Housing Programs Specialist Senior, County of Santa Barbara
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.