



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

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

Department Name: HCD  
Department No.: 055  
For Agenda Of: 6/5/07  
Placement: Set Hearing for 6/19/07  
Estimated Tme: 60 minutes  
Continued Item: Yes  
If Yes, date from: 11/14/06  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Ron Cortez, Deputy County Executive Officer, 568-2243  
Director(s)  
Contact Info: Jennifer Christensen, Assistant Director, HCD, 568-3514

**SUBJECT: Affordable Housing Policy Committee Report**

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**County Counsel Concurrence**

As to form: N/A

**Other Concurrence:** N/A

As to form: Select\_Concurrence

**Recommended Actions:**

That the Board of Supervisors:

1. Receive and File attached Reports from the Affordable Housing Advisory Committee and the County Executive Office; and
2. Direct staff to provide additional evaluation and analysis of the Committee's recommendations, as necessary.

**Summary Text:** The Affordable Housing Policy Committee ("Committee") was appointed by the County Board of Supervisors to assist in evaluating several significant policy issues concerning the County's Inclusionary Housing Program and to make recommendations for modification or replacement of that program if considered appropriate.

Among the issues considered by the Committee in arriving at its consensus recommendations were: the attainment of an optimal mix of rental and home ownership opportunities for each target income category; the mechanisms by which rental and ownership units are best created; and the County's role and responsibilities associated with affordable housing.

The Committee's consensus opinion appears to be based primarily upon the combined notions that:

- An effective County affordable housing program should continue to provide rental opportunities for very low and low income categories, while providing some ownership opportunities for upper moderate and workforce income participants.

- The County's 'in-lieu' fee schedule should be restructured to incentivize developers to *pay the fee* in most instances, rather than building affordable 'for-sale' units.
- Fees collected should be used to provide mortgage assistance via a subsidized secondary financing program to enable income-qualified buyers to purchase 'market-rate' units.

The County Administrator's Office conceptually supports each of these conclusions. A summary of the major issues addressed by the Committee follows.

**Issue # 1: *Ownership vs. Rental affordable housing opportunities*** - In achieving the goal of providing attainable housing opportunities across the range of qualifying income levels, the threshold issue addressed by the Committee concerned the optimum mix of rental vs. ownership units in the County's affordable housing program that would best serve each income group. After much discussion, public input, and careful consideration, the consensus of the Committee on this issue is that the County should work towards adopting **a policy that promotes rental housing to meet the very low and low income housing needs, and a mix of rental and homeownership housing opportunities for moderate income and workforce housing needs.**

The County Executive Office agrees with the Committee's recommendation.

**Issue # 2: *How best to provide home ownership opportunities to upper moderate and 'workforce' income categories?*** - *The Committee's consensus centered on incentivizing the payment of developer 'in lieu' fees. These fees would then be used to promote homeownership opportunities on the open market by providing secondary financing to income-qualified buyers to enable them to purchase market rate units.*

**a. In-lieu Fee Program** - The Committee considered several available options for making home ownership opportunities available to families in the upper moderate and workforce income categories. **Conceptually, it was concluded that a restructuring of the County's 'in lieu' fee program was a critical first step in modifying the County's approach in implementing a housing program that would facilitate the provision of rental units for very low and low income categories and provide ownership opportunities at the upper end of the affordability scale.**

The Committee's specific recommendations concerning modifications to the in lieu fee program included the following comments:

- a. The County should adopt policies to promote housing through voluntary in lieu fees (a developer's election) on new developments.
- b. The County should adopt policies and in lieu fees which make it more profitable for a developer to pay the in-lieu fee than to build affordable housing under state rules (i.e. the State Density Bonus Program).
- c. The County should build flexibility into its in lieu fee program. (e.g. Developers should be allowed to partially or fully satisfy in lieu fees by donating suitable building sites to the County or constructing or acquiring a comparable number of units offsite within the appropriate Housing Market Area).

The County Executive Office agrees that the 'in lieu' fee program, as currently structured, needs to be reevaluated within the context of its effectiveness in achieving the County's affordable housing goals.

**b. Moderate and Workforce Secondary Mortgages** - *The Committee consensus strongly encourages using monies generated by in-lieu fees to provide secondary financing for buyers purchasing market-rate units as the best alternative to the continued construction of on-site inclusionary housing units.* Fees collected could be used to establish a “revolving loan fund” for down payment assistance with low or deferred interest loans to qualified buyers.

The County Executive Office agrees in concept with the Committee’s recommendation concerning the utilization of in-lieu fees to subsidize secondary mortgages. The viability of such a program, however, would be primarily dependent upon the collection of an adequate dollar amount of ‘in lieu’ fees in order to fund a meaningful mortgage subsidy program.

**Issue # 3: *Continued Monitoring of the County’s Affordable Housing Inventory*** – The inherent difficulties in effectively enforcing the restrictive covenants for the ownership units currently in the County’s inventory led the Committee to agree that the County should discourage the continued creation of affordable housing units with sale price controls. The Committee’s Secondary Mortgage program, as presented, would be consistent with this notion.

The Committee Report states on page 5 that “however carefully crafted, covenants for restricted units will generate many of the problems identified by the audit and other unforeseen problems may be predicted.” The County Executive Office agrees with this statement and therefore, is in general agreement with the Committee’s recommendations affecting the County’s ongoing monitoring obligations.

The Committee also addresses the issue concerning the County’s ability to renegotiate older housing covenants to provide better enforcement authority. County Counsel has indicated that there are numerous challenges to any proposal to renegotiate older covenants. This may be an option for some developments, while others are limited by statutory limitations associated with density bonus law or Housing Element policy restrictions.

Generally, older covenants can be updated when the property is acquired by the County and the term of affordability is increased. This is consistent with the County’s buyback strategy as a mechanism to cure violations.

In order to review this option for feasibility, further staff work would be needed to identify eligibility for each development and return to the Board of Supervisors with a report indicating which developments would be eligible for renegotiation on a development-wide basis.

*The Committee recommends that the Board direct staff to identify eligibility to renegotiate covenants for each development and return to the Board of Supervisors with a report indicating which developments would be eligible for renegotiation*

*Additionally, implementation of the Committee’s recommended modifications to the present Inclusionary Housing Program would entail further staff work and legal research to determine continued compliance with existing State mandates, ordinances, and County land use policies.*

**Other Issues:** The Committee Report also addresses several additional issues impacting the future effectiveness of the County's affordable housing programs. Topics including the need for the County to address the core issues of zoning and density, the identification of sites for increased density to support affordable housing, the use of Residential Second Units as a practical and effective tool for increasing affordable housing opportunities, education for program applicants, and HCD staffing and funding issues. See Committee's Report, pages 3-6 (Attachment A).

**Background:** On January 23, 2007, the Auditor-Controller for the County of Santa Barbara issued a report of audit findings and recommendations pertaining to the County's "for sale" affordable housing program. As a result, the Board of Supervisors approved the formation of the Affordable Housing Policy Committee ("Committee") to review the County's Inclusionary Housing Program (IHP) and make recommendations for modification or replacement of that program.

The Committee held biweekly meetings from December 20, 2006, until May 4, 2007, to review the County's housing policies and make recommendations with respect to the IHP. The Committee considered several issues with respect to the current IHP and the administration of affordable units created as a result of the Program. These issues included the desirability of rental and homeownership units for each target income category, the mechanisms by which rental and homeownership units are created, and the County's role and responsibilities associated with creation of rental and homeownership units.

Details of subjects discussed and various options considered by the Committee are contained in the Committee's "Report of Affordable Housing Policy Committee to Santa Barbara County Board of Supervisors", issued May 22, 2007 (Attachment A).

**Fiscal and Facilities Impacts:**

**Fiscal Analysis:** N/A

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

**Special Instructions:**

**Attachments:**

**Authored by:** John Torell, Director, HCD

**cc:** Ron Cortez, Deputy CEO