



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: County Executive Office
Department No.: 012
For Agenda Of: August 14, 2007
Placement: Departmental
Estimated Tme: 20 minutes
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department *Michael F. Brown*, County Executive Officer
Director
Contact Info: Ron Cortez, Deputy CEO, 568-3400
SUBJECT: Consider Response to the Grand Jury Report on “Affordable Housing In Santa Barbara County – Myth or Reality?”

Recommended Actions: That the Board of Supervisors:

- a. Adopt the responses in Attachment (1) as the Board of Supervisors’ responses to the 2006-07 Grand Jury Report entitled “Affordable Housing In Santa Barbara County – Myth or Reality?”, and
- b. Authorize the Chair to sign the letter included in Attachment (1) forwarding the responses to the Presiding Judge.

Summary Text:

On May 25, 2007, the Civil Grand Jury released a report entitled “Affordable Housing In Santa Barbara County – Myth or Reality?” This report explains affordable housing programs in Santa Barbara County across various jurisdictions. The report includes nine findings and six recommendations. The Board of Supervisors is named as the sole Santa Barbara County government responder to the findings and recommendations.

The County Executive Office and Housing and Community Development Department worked together on the Board of Supervisors responses. It is recommended that the Board adopt these responses to the Grand Jury Report contained in the attached letter to the Presiding Judge.

Background:

Per California Penal Code Section 933 (c), the governing body of the agency, the Board of Supervisors, must respond within 90 days after the issuance of the Grand Jury Report. Therefore, the Board of Supervisors' response must be finalized and transmitted to the Courts and the Grand Jury no later than August 23, 2007.

Fiscal and Facilities Impacts:

None

Fiscal Analysis:

Narrative: There are no fiscal or facilities impacts from the proposed recommendations.

Special Instructions:

The response of the Board of Supervisors must be transmitted to the Presiding Judge of the Superior Court no later than Thursday, August 23, 2007. The Clerk of the Board is requested to return the signed letter to Brenda Castillo, County Executive Office, for distribution to the Superior Court. The signed letter, written responses and a 3 ½" computer disc with the response in a Microsoft Word file must be forwarded to the Grand Jury.

Attachments: *

1. Letter to the Superior Court Judge with Board of Supervisors Responses
2. Grand Jury Report entitled "Affordable Housing In Santa Barbara County – Myth or Reality?"

Authored by:

John Jayasinghe, County Executive Office, 568-2246

cc:

John Torell, Housing & Community Development Director

ROUTE TO:

2007 MAY 24 PM 12:38

RETURN INSTRUCTIONS

AFFORDABLE HOUSING IN SANTA BARBARA COUNTY

Myth or Reality?

SUMMARY

The 2006-2007 Santa Barbara County Grand Jury examined the affordable housing situation in the unincorporated county as well as the eight incorporated jurisdictions of the county. This inquiry showed that the term affordable housing is frequently misunderstood, confusing and often means different things to different people. This Grand Jury attempted to explain the affordable housing program in Santa Barbara County in clear and understandable language.

Affordable housing programs vary across jurisdictions within the county as does the degree of public and government support for such programs. Jurisdictions are required by state mandate to facilitate the development of affordable housing but are not actually required to build. Additionally, jurisdictions incur no penalty if affordable housing units are not built. There is a marked lack of low and very low income housing in most jurisdictions.

INTRODUCTION

The County of Santa Barbara has a population of approximately 420,000 residents and a workforce of approximately 200,000 persons. Those who are not part of the workforce are primarily children, students, or spouses and retirees. Generally, persons in the workforce prefer to live reasonably close to their employment. Income can run from minimum wage to unknown heights. However, house prices and rents are extremely high, especially in the south county. When you put these factors together, you come to an impasse. The dilemma is when you work and raise a family in Santa Barbara County, where do you live? Can you live near your work or must you face long distance commutes? Can you find housing that you can afford?

Our objective was to discuss the affordable housing programs as they currently exist in cities and the unincorporated part of Santa Barbara County. The Grand Jury reviewed relevant printed materials from individual jurisdictions that administer such programs. We interviewed individuals who are involved in administering and regulating affordable housing. We also reviewed comments from citizens who have been involved in these programs.

OBSERVATIONS AND ANALYSIS

How is Affordability Determined?

In 2006, the median home price in Santa Barbara County was \$719,100 and the average rent for a two-bedroom apartment was \$1586. Average annual salary for all industries in Santa Barbara County was \$40,100. Therefore, purchasing a home or renting an apartment is a difficult proposition for many people in this county.

Deciphering the allowable household income to qualify for affordable housing can be a daunting task for the average citizen. People who work with the numbers use terms like “AMI,” maximum allowable and percentage of AMI as the eyes of the prospective owners and renters glaze over.

The Department of Housing and Urban Development (HUD) determines the Area Median Income (AMI) for areas across the country each year. In March 2007 Santa Barbara County had an AMI of \$67,100. This corresponds to the median income for a household of four. There are four income categories based upon AMI as follows:

Very Low Income	< 50% of the AMI
Low Income	50% to 80%
Moderate Income	80% to 120%
Above Moderate Income	120% to 200% (varies by jurisdiction)

Should you apply for affordable housing, there are two key elements – household size and income. Housing staff in your jurisdiction will translate this information into categories to determine whether you qualify at all and if so for what. Table 1 below shows maximum income levels by household size.

Table 1

MAXIMUM ALLOWABLE HOUSEHOLD INCOME

SANTA BARBARA COUNTY – March 2007

Category	Household Size				
	1	2	3	4	5
Very Low	\$23,500	\$26,850	\$30,200	\$33,550	\$36,250
Low	37,600	42,950	48,300	53,700	57,950
Moderate	56,350	64,400	72,450	80,500	86,950
Above Moderate (workforce)	93,950	107,400	128,800	134,200	144,950

Source: California Housing and Community Development Department

Affordability requirements refer to the above income categories and the number of persons in a household. Income is based upon the gross amount before taxes and other deductions. County jurisdictions employ a formula to determine down payment, monthly payments and housing expenses, including utilities.

For example:

Household size of four, earning \$75,000

120% of AMI = \$80,500

Qualifies for moderate income unit

Affordability Gap

The media has made a ruckus about households making over \$120,000 annually and also who qualify for affordable housing. The median home price was almost \$720,000 in 2006. In this high cost housing environment, some persons on fixed income and professionals—teachers, police officers, and nurses, known as the workforce—are all priced out of the market. For example, an elementary school teacher can afford a \$200,000 home; the same teacher and a police officer together can afford a \$500,000 home.

Tables 2 and 3 show why owning an affordable house or renting is hard to do in Santa Barbara County. For example, the maximum allowable sales price for a two-bedroom

house or condominium was about \$145,000 for low-income buyers and \$217,000 for moderate-income families. Comparable prices for four-bedroom units were about \$171,000 for low-income families and \$257,000 for moderate-income units.

Table 2

MAXIMUM ALLOWABLE SALES PRICES FOR 2007

Number of Bedrooms	Very Low Up to 50%	Low 50-80%	Moderate 80-120%	Above Moderate 120 – 150%
Studio	\$70,500	\$112,700	\$169,100	\$211,400
1	80,500	128,800	193,200	241,600
2	90,600	144,900	217,400	271,800
3	100,700	161,000	241,600	302,000
4	106,900	171,100	256,700	320,800

Table 3

MAXIMUM ALLOWABLE RENTS FOR 2007

Number of Bedrooms	Very Low Up to 50%	Low 50-80%	Moderate 80-120%	Above Moderate 120% & up
Studio	\$500	\$700	\$1110	Not applicable
1	630	880	1380	Not applicable
2	750	1060	1660	Not applicable
3	890	1250	1960	Not applicable
4	1010	1410	2210	Not applicable

Housing professionals are seeking workable solutions to the imbalance between jobs and housing. One way the City of Santa Barbara helps is by creating affordable housing categories for middle and upper middle-income applicants with maximum income up to 200% of AMI. For example: 200% of AMI allows for maximum income up to \$134,200 for a family of four.

The general belief is that housing assistance is for the poor. Unfortunately, in Santa Barbara County with the huge gap between maximum prices for affordable units and market rate prices, the program is needed for middle income people as well.

How do You Apply to Own an Affordable Home?

The Grand Jury has examined programs for owner-occupied affordable housing administered by the county and the eight individual municipal jurisdictions. There are common processes and procedures across jurisdictions.

First, you must get an application. An application can be obtained by visiting the agency's office and requesting it over the counter. This method is beneficial since it affords the applicant the opportunity to ask relevant questions. In some instances an application may be obtained through the mail or over the internet. There are deadlines for completion and submission of the application. It is important to note that all questions on the application must be answered.

Each community has eligibility requirements. The applicants must determine if they are eligible according to those requirements. These may include income, number of family members, credit history, employment history, no real property ownership, residency and citizenship. Proof of eligibility is required. Deadlines and documentation should not be taken lightly. When the application has been properly completed, it must be submitted to the agency. It is suggested that this be done in person so the application can be checked and questions answered.

In the next step, the agency establishes a pool of eligible candidates. All jurisdictions use a lottery to select applicants. Although there may be some variance in the procedure, it is still a lottery. A lottery is a method whereby names of all eligible candidates are placed in a pool and are selected by chance drawing. The drawing can be either picked by hand from some form of container or selected electronically. Care is taken to guard against any tampering or rigging of an outcome. Those selected are subsequently notified by the agency.

If selected, the next step is to secure financing necessary to purchase the home. The applicant must meet the lender's requirements for granting home loans. Persons who enter the loan process should work with the jurisdictional agency to determine the best approach to secure funding. Dealing with home loans can be a daunting and challenging procedure, but it can be done.

What Financing Mechanisms are Available for Affordable Housing?

The objective of affordable housing is to provide habitat at a cost (rent or ownership) that does not exceed 30% of the occupant's income. The occupant might be an individual, family or multiple unrelated persons. The providers of affordable housing use various means to reduce the cost. These means include negotiating favorable land prices, building for mixed-use and eliminating extras while meeting all building codes and livability criteria. Perhaps the major means is high density, thus minimizing the cost of land and infrastructure. The state density bonus law allows developers an increase in housing density over that of existing zoning in exchange for providing affordable units.

Beyond cost savings, subsidies may be required to make housing available for the very low, low and moderate income residents. Funding comes from various sources including local taxes, state grants and loans and from federal sources. The California Department of Housing and Community Development, Financial Assistance Division, has 21 loan and grant programs for housing. Frequently, local sources of funding will be used in partnership with state funding or will be used to leverage state funding.

The following are programs and other major sources of financial support for affordable housing in Santa Barbara County.

Housing Trust Fund is county funding which uses in-lieu fees to fund affordable housing projects through non-profit, private or public agencies.

Re-development Agency (RDA) Set-Aside receives an allocation from county taxes; RDA and County Housing and Community Development disburse funds for affordable housing developments.

HOME Investment Partnerships Program receives funds from HUD for direct assistance to low income families and for rental rehabilitation.

Community Development Block Grant is a federal program operated by HUD. It provides funding through the Department of Housing and Community Development to counties for low income housing construction, rehabilitation and infrastructure improvement.

Low Income Housing Tax Credits (LIHTC) are income tax credits that reduce the tax liability of property owners and investors who agree to provide low income housing for up to 40 years.

Housing Authority of the County of Santa Barbara (HACSB)

The Housing Authority is a state chartered public corporation; it is not part of county or state government. Its mission is "to provide affordable housing to low income families residing in the County of Santa Barbara." Low income is defined as 80% of AMI or below, the same as for county programs. HACSB covers the entire county, except the City of Santa Barbara, which has its own housing authority.

HACSB currently owns and manages 525 public housing units. In addition, it operates the Housing and Urban Development (HUD) Section 8 rental program. This is a three-way arrangement between HUD (which provides funds), the Housing Authority, and private landlords. HACSB currently has an allocation of 3415 Section 8 vouchers. Applicants pay rent that does not exceed 30% of their income. The applicants and HACSB find landlords willing to participate in Section 8. HACSB then screens the applicant and the unit to ensure that both meet HUD requirements and standards. If the applicant and unit both pass screening, the applicant signs a lease. The renting occupants then pay their portion of the rent to the landlord, and HACSB pays the remainder.

Both public housing and Section 8 attract many applicants in the county. Currently there are almost 5,000 families on the waiting list for public housing and over 3,900 families on the list for the Section 8 program. Waiting lists for each program have now been closed for more than a year. The high demand for these programs makes it possible to evict any renters who fail to comply with the rules.

HACSB also works to develop, acquire and rehabilitate additional low-income housing. For example, it recently broke ground on a 24-unit apartment complex in Santa Maria for families of four with incomes under \$66,000. This \$9 million development was possible because HACSB structured it to qualify for \$6.5 million in low income tax credits.

Background and Requirements

California legislation passed in 1971 requires cities and counties to facilitate the development of affordable housing for all economic levels in the population. It mandates that localities prepare and implement Housing Elements (HEs). "The housing element shall consist of an identification and analysis of existing and projected housing needs...goals, policies, quantified objectives.... The housing

element shall identify adequate sites for housing...and shall make adequate provision for the existing and projected needs of all economic segments of the community." ¹

The next several pages of the law explain in specific and detailed terms what the HE must contain. Another section states, "The excessive cost of the state's housing supply is partially caused by activities and policies of many local governments that limit the approval of housing, increase the cost of land for housing, and require that high fees and exactions be paid by producers of housing." In keeping with the preceding finding, the law requires local governments which reject housing developments to justify their reasons in great detail.

Regional Housing Needs Assessment (RHNA). RHNA numbers are assigned by the state to allocate shares of the estimated statewide housing needs. The Santa Barbara County Association of Governments (SBCAG) is a regional planning agency, comprised of Santa Barbara County and its eight incorporated cities. The state "provides a minimum baseline need to the Santa Barbara County Association of Governments (SBCAG), which in cooperation with local governments and public input allocates the countywide housing need to local jurisdictions."² The State first provided regional total numbers to SBCAG in November 2001 for the current planning period, January 2001 through July 2008. SBCAG asked the state to substantially reduce its initial allocation. The state partially decreased the county's RHNA, but not as much as SBCAG had requested. The final RHNA total for Santa Barbara County called for 17,531 units.

SBCAG used a 3-step method to allocate these units to the localities.³ After extensive hearings, comment periods for the public and local agencies, the final report was issued in December 2002. It subdivides the countywide need across eight cities and five areas of the unincorporated county. These allocations are further divided into four income categories (see Attachment 1 for the complete RHNA). The RHNA numbers are a key part of each jurisdiction's HE.

Housing Elements. HEs are one part of localities' general plan, the only part that is subject to state review. State HCD will not certify HEs that do not satisfy the law's extensive requirements. This explains why HEs are frequently lengthy documents, some even the size of telephone books. For example, the current HE for Santa Barbara County is 127 pages, plus eleven appendices, which totals about 250 pages. (How many people are going to read such a document?) The format of HEs is similar

¹ California Government Code section 65580-65589.8.

² "Regional Housing Needs for SB County," December 2002, page 1.

³ Ibid, pp 10-13.

because of state requirements; they tend to be written in language that assumes knowledge of state and local housing policies. The parts of the appendices that deal with housing needs, allocation and land or site inventory are key to the HEs.

Enforcement. If the state does not certify the initial HE (as happened with unincorporated Santa Barbara County and Goleta), it is returned to the jurisdiction for revision. If the local jurisdiction does not change the HE and receive certification, *there is no state enforcement mechanism or penalty.* The courts may enforce compliance with HE law if suit is brought against a city or county. Although this approach is rare, the courts may halt all development except affordable housing and may limit localities' zoning authority. Nevertheless, it is clear that cities and counties are not required to build or fund affordable housing. Rather they must "*accommodate*" affordable housing, which means facilitate and encourage its construction through zoning and various incentives to builders.

How Do Jurisdictional Programs Work?

The following is an overview of how Santa Barbara County and its eight incorporated cities have responded to affordable housing mandates.

Santa Barbara County, Unincorporated

According to the 2000 census, unincorporated Santa Barbara County had a population of about 159,500, and just fewer than 56,000 housing units. Those numbers decreased by approximately 28,000 and 10,000 respectively in 2002 when the City of Goleta was incorporated. In the county, approximately 43,000 of the units were single-family houses, while 5800 were multi-family with 2-9 units and a similar number were multi-family with 10 or more units. There were about 3000 mobile homes and fewer than 100 boats, recreational vehicles, and other assorted units.

The unincorporated area contains rural, semi-rural and urban communities and vast areas that are largely undeveloped. The federal government owns 46% of all county land—primarily in the Los Padres National Forest and Vandenberg Air Force Base. The northern and central parts of the county, excluding the City of Santa Maria, have large areas of agricultural and ranch land and vineyards. The South Coast has large undeveloped areas along the Gaviota coast, as well as heavily built-up residential and commercial land from Goleta east to Carpinteria. This area also includes University of California Santa Barbara (UCSB) and the adjacent community of Isla Vista.

UCSB and Vandenburg Air Force Base have a major impact on housing in the county. However, the Grand Jury decided not to report on them separately. The jurisdictional reports focus on those localities with RHNA numbers.

The county is far short of meeting its RHNA goals, especially in the low and moderate income categories. Slightly over 2500 units have been built or approved toward the RHNA goal of 6064. In the very low and low income categories, only 478 (19% of the RHNA targets) are completed or approved.

The affordable housing program in the unincorporated county has had a troubled history in recent years. The program was moved several times to different parts of the county government and in 2003 both the finance and the monitoring and compliance functions were transferred to the Housing and Community Development Department (HCD). This newly created department has faced numerous difficulties and accusations of mismanagement. The County Auditor-Controller's October, 2006 report stated: "...the system of control provided over the affordable ownership activities of the program is inadequate. Significant weaknesses exist in every key control point." The report continued: "Management has not developed specific program goals; therefore, adequate policies and procedures guiding operations do not exist." In a second report, the auditor also found poor management in the Housing Finance Division. In just one example, at least \$350,000 of all "in-lieu" fees were not collected and "...management was completely unaware that the amount was even owed to the county."

HCD management has been attempting to address the program's weaknesses and inefficiencies. In January 2007, an experienced manager was appointed as the new director. He and other HCD staff are charged with improving the organization and the county's affordable housing program. The Board of Supervisors is reviewing the entire HCD operation and may decide on policy changes for the program.

City of Santa Barbara

In 2000, the City of Santa Barbara had a population of 89,600 and a total of just over 37,000 housing units. Approximately 20,000 (54%) of all units were single-family homes, another 5500 units (15%) were in 2-4 unit complexes and 11,200 (30%) were in complexes of 5 or more units.

Santa Barbara, incorporated in 1850, is a mature city. Many factors make the city a desirable area including climate, ocean and mountain views, attractive architecture and lifestyle. A strong demand for land within the city and a limited supply has led to high land prices. Under current zoning, the city is essentially built out. Because of these limitations, the affordable housing program in Santa Barbara has focused on multi-family and commercial zones, which permit the highest density development. In the January 2001 to June 2006 period, all units built or permitted for low and very-low income households were in multi-family or commercial zones.

The City of Santa Barbara has a long history of public support for low-income housing, along with an insistence on excellence in design and architecture. For many years the Santa Barbara City Council has strongly supported affordable housing. City staff is committed to identifying infill sites and supporting the design and construction of attractive affordable housing units – both rentals and owned units. Affordable units are dispersed throughout the city and often architecturally upgrade neighborhoods where they are located.

In spite of the city's efforts, only 770 affordable housing units were built or approved between January 2001 and June 2006, about one-third of its RHNA goal. In the low and very low income categories, only 334 units have been built or permitted – just over one-third of the RHNA target.

The city has a strong enforcement program for its ownership units. It has continually revised its contracts and covenants and has taken legal action against violators.

The City of Santa Barbara has worked with the Housing Authority of the City of Santa Barbara on many housing projects. The Authority works to provide quality affordable housing to those with limited income. It has cooperated with numerous partners to develop unique housing opportunities. The most recent example is El Carrillo, a 61-unit studio apartment development for very low income and homeless people located downtown. The \$10.5 million project had multiple funding sources – the largest being \$8.1 million of low income tax credits, which leveraged private capital to finance construction. The attractive building – close to transportation and shopping – is in the heart of the city.

Goleta

The City of Goleta incorporated in 2002. Within Goleta's city limits, the population in 2005 was 30,700, with 11,500 housing units as estimated by the California Department of Finance. Surrounded by the ocean, the University of California, agricultural ranches and the Santa Ynez Mountains, Goleta is a largely a suburban area. Early building produced mostly single-family suburban developments. This housing stock is relatively new, with 87% having been built after 1960. There are also many mobile home parks, apartment complexes and retirement communities. Goleta has begun funding rehabilitation projects in the Old Town Redevelopment Project Area.

Like other South County communities, Goleta's current home sale prices are out of reach for low and moderate-income families. The median sales price for a single-family home was \$882,800 in 2005. New condos can sell for as much as \$800,000.

City officials acknowledge that local businesses have found it difficult to recruit workers.

When Goleta incorporated, the existing affordable housing projects stayed under the jurisdiction of Santa Barbara County. The city is in the process of assuming responsibility for units previously managed by the county. At this point, city staff is uncertain how affordable housing projects will be managed. The County Housing Authority owns and operates 227 housing units within Goleta. The city just opened its first Goleta project in partnership with People's Self-Help Housing, with eight affordable apartments.

The desire to control land-use issues was a major reason for incorporation. Goleta officials believe that they received an unduly high number of units in its RHNA allocation (2,388 units). They hope to have a stronger presence at the next round of negotiations with SBCAG, so that the city can have more input in its RHNA allocation. To date, 691 units have been built, 339 have been approved and 299 units are pending. The vast majority of these units are in the above-moderate category. Few building projects have been realized in the past year. The city's Housing Element has identified vacant lands currently zoned or planned for rezoning to accommodate 1743 units.

There is much controversy over Goleta's Housing Element. After three drafts, the State of California has not yet certified it. The council members who forged the plan hoped to concentrate housing developments in order to preserve open space. There are objections to the proposed 55% affordability requirement for development on selected sites. Goleta also faces at least six lawsuits alleging the city's General Plan, and especially its Housing Element, violates state environmental quality, planning and zoning laws. It is difficult to predict what changes will occur as the new city council (elected in November 2006) deals with litigation and revisions to the General Plan.

Carpinteria

According to the 2000 census, the City of Carpinteria, incorporated in 1965, has a population of about 14,200 and contains 5500 dwelling units. The city covers only 2.6 square miles and has few vacant parcels. Many residents commute to work, north to Santa Barbara and beyond.

Housing in Carpinteria spans all income levels from the very low to multi-millionaires. The median home price in Carpinteria as of 2005 was \$751,800 and the average rent of an apartment was about \$1500, effectively easing out many of the long-term residents and lower income renters.

Carpinteria's Housing Element was certified by the state in 2004. Carpinteria's RHNA housing allocation is 75 units; 43 units or about 60% have been built or have plan approvals. All 43 units are in the above moderate income category.

To increase affordable housing stock, the city adopted two ordinances: (1) a *density bonus* of 25% is offered developers in projects of five or more units and (2) *inclusionary housing* requires that all residential ownership projects of five or more units provide on-site housing for above moderate-income households or pay a fee. Above moderate is defined as 120% - 200% of area median income. The city has strict requirements for a developer who opts to pay the \$254,330 in-lieu fee. This fee encourages developers to build affordable housing rather than "fee out."

While not officially considered "affordable housing," most mobile homes are more reasonably priced than conventional structures. There are approximately 900 units in seven mobile home parks.

Successful affordable housing programs are dispersed throughout Carpinteria. They include: Shepard Place, a senior housing complex of 101 units; Dahlia Court, 54 units used mainly for farmworkers; Atrium Court, 12 units; and Chapel Court, 28 units. Recently approved projects include: Lavender Court, 5 units; Mission Terrace, 3 units; and Lagunitas, 8 units.

Carpinteria contracts with the City of Santa Barbara Housing Department to administer and monitor covenants for the affordable housing program once the units are built and occupied. Current elected officials reflect the community's belief that affordable housing is necessary to retain the current and long-term residents of Carpinteria as well as to attract a quality workforce.

Santa Maria

Santa Maria's 2000 census population of approximately 77,400 increased to an estimated 90,500 by the end of 2005, making it the largest city in Santa Barbara County. A large number of its residents are agricultural workers; Santa Maria is home to an estimated 55% of the county's agricultural workers. In general, these workers receive lower pay than other labor categories; their median wage in 2004 was \$7.80 per hour. Other workers with modest incomes are employed in industrial and construction activities in the city and surrounding areas. Among this workforce are many at income levels that need affordable housing.

City officials recognize the need for affordable housing. The city's Housing Element cites overpayment (more than 30% of income) for housing costs and overcrowding as problems. In 2000, 36% of the city's households paid more than 30% of their income

for housing. With the increase in housing costs since then, the number is higher today. In addition, when housing costs rise there is a tendency for extended families or even unrelated persons to live together. In 2000, an estimated 23% of the households in Santa Maria had more than one person per room (the HUD standard for overcrowding).

Affordable housing projects in Santa Maria date back to 1970. Prior to the current Housing Element, a total of 1470 units were built. These projects were designated for families, seniors, farmworkers, homeowners and disabled persons. The majority of these units—1280—are rentals; the remainder are owner-occupied. These programs have received financial support through the following: Community Development Block Grant Program, Home Consortium, General Fund of Santa Maria, Low-Income Housing Tax Credit and Redevelopment Agency of Santa Maria.

The current Housing Element was adopted in December 2006 and subsequently certified by the state. For this Housing Element, the RHNA allocation for Santa Maria is 4837 units. At the end of 2006, 4008 units had been built representing 83% of the allocation. All units are rentals; Santa Maria elected not to build owner-occupied units under the current Housing Element. Despite substantial construction, only 14% of the very low-income allocation and 25% of the low income allocation have been built.

The overemphasis on moderate and above moderate income appears to be a result of the gap between (1) the cost of building that could provide a reasonable return on investment at the rents paid by low or extra low income persons, and (2) the actual cost of building (construction, land and infrastructure). Financial support is necessary to subsidize this gap.

Lompoc

Lompoc is approximately 55 miles north of Santa Barbara and 20 miles south of Santa Maria. It is twelve miles east of the Pacific Ocean in the lower valley of the Santa Ynez River. The city had a population of 43,600 in 2000.

Geography and geology shaped the land for three industries which make Lompoc unique. The hills south of Lompoc have rich deposits of diatomaceous earth that have been mined since the late 1890s. A few years later, sweet peas were planted in the valley on a trial basis and started the flower seed industry that would make Lompoc famous. The mild sunny climate and rich soils are ideal for flowers, both cut blossoms and seeds.

Historically, Lompoc's economy was based on agriculture and mining operations.

After the conversion of Camp Cook to Vandenberg Air Force Base (VAFB) in 1958, Lompoc's growth was driven by VAFB which contributes \$1.4 billion to the regional economy.

Since 2003 Lompoc has attracted manufacturing because of the availability of affordable property, utilities, workforce and housing. The city of Lompoc's population is projected to grow to almost 45,000 by the year 2010.

City officials have actively worked over the past 10 years to develop sufficient resources and the capacity to facilitate a variety of affordable housing opportunities. The median price of a home in Lompoc was \$157,654 in 2000. It increased to \$423,700 in 2005, an increase of 269%.

Several private developers have built affordable housing projects in Lompoc utilizing the Low-Income Housing Tax Credit program. In addition to the city of Lompoc and the County Housing Authority, three organizations have been active in promoting affordable housing. These are the Lompoc Housing and Community Development Corporation, the Santa Barbara Community Housing Corporation and Habitat for Humanity.

The current Housing Element was adopted in November 2003 and subsequently certified by the state. To date, 337 units have been built or approved – 38% of the RHNA goals. Only 61 units were in the very low or low-income categories – 17% of the goals.

Buellton

Buellton is a city of 4200 of persons located on US Highway 101 in the Santa Ynez Valley approximately midway between Santa Barbara and Santa Maria. It is predominantly a residential city contained within 1.6 square miles and surrounded by ranches, farms, vineyards and wineries. In the eight-year period of its first housing element adopted in 1993, Buellton experienced a growth of 10% in housing and 15% in population. Buellton continues to grow at a rapid pace.

In the 2000 census Buellton had a total of 1488 dwellings broken down into the following categories: detached 890, attached 63, multi-family 116, mobile homes 375 and other 44. The household profile by income in 2000 was: very low 351, low 244, moderate, 245 and above moderate, 584. Based on the 2000 data, Buellton was one of the most affordable communities in Santa Barbara County with median rents among the lowest. These numbers are misleading in that Buellton has seen an influx of newly constructed homes in the past few years. As of April 2005 the median home price was \$686,500. Owner-occupied housing is only within reach of above

moderate-income families. Condominiums are within reach of moderate-income families. Very low and low-income families do not have the means to access the housing market. Presently, rental units are affordable to moderate and above moderate income groups.

Buellton has an Affordable Housing Overlay Zone (AHOZ) which consists of nine key development sites that are zoned for commercial or industrial development. The AHOZ allows these sites to be developed for exclusively residential use, instead of what the underlying zone permits, provided that 20% of the units are for the affordable housing program.

A small planning staff has responsibility for the affordable housing program. They enter into agreements with non-profit management entities, primarily the Housing Authority of the County of Santa Barbara, to manage the program. The Authority provides the city with annual reports on the status of the program.

In the 1993-2001 timeframe, Buellton provided 44 very low, 35 low, 43 moderate and 101 above moderate for a total of 223 units. In the current RHNA period the city has built or approved a total of 361 units, 67% of the RHNA goal. However, only 13 units were in the low and very low-income categories.

The affordable housing program has tiered in-lieu fees but collects little because developers are encouraged to build rather than pay. Affordable housing units are incorporated into each new development in Buellton. The developments are distributed across the city. Officials said Buellton's affordable housing program seems to be accepted by developers and the general population.

Solvang

Solvang is one of two incorporated communities located in the Santa Ynez Valley; it was founded in 1911 and incorporated in 1985. Neighboring Buellton serves as the gateway to the Santa Ynez Valley including the City of Solvang and the unincorporated communities of Ballard, Los Olivos and Santa Ynez. An estimated 25,000 people live in the Santa Ynez Valley with 5300 residing in Solvang. According to the 2000 census the median age in Solvang was 43 years (compared to 38 years nationwide), reflecting its significant retired population. The median household income was \$45,800. The city is small and compact and cannot expand its current boundaries. Its primary industry is tourism which is focused in its small downtown area.

In 2000, the total number of housing units was 2228 with 1381 (60%) being owner-occupied and 804 (35%) renter-occupied; few were unoccupied. In Solvang, the

median home price was \$837,800 in 2005, up from \$327,000 in 2000. For Solvang, affordability as well as availability and future supply are the most important housing issues. The Housing Element projects that housing needs will be met through policies to encourage infill development on available sites, mixed use development in the Village Area (downtown) and other programs to better utilize existing land. To further these goals the city is undertaking a re-zoning project. Currently 16 properties are being re-zoned. It is possible that the re-zoning will allow up to 156 additional affordable housing units.

The only significant home development project in the city (and probably the last in terms of available land) is the Skytt Mesa project. One hundred and sixty nine homes will be built on a site overlooking much of the valley. The developers have indicated that they intend to pay the in-lieu fee of \$4668 per dwelling rather than build affordable housing. The current intention is to use the funds to build a senior center which will include affordable rental units. If the developer does not begin construction of a 100% affordable rental housing project within five years, the deposited fees, together with interest, will be used for affordable housing as approved by the City Council.

Relying on market forces and its intent to better utilize existing land, Solvang has yet to make a dent in its RHNA goals. The city has no units in the very low income category, two in the low income and 30 in the moderate income ownership categories. Little improvement in the situation is forecast. Rental units exist but their affordability is unrecorded.

Guadalupe

The City of Guadalupe, tucked in northwest Santa Barbara County and one of the oldest towns in northern Santa Barbara County, was incorporated in 1946. Located about four miles from the coast, Guadalupe is surrounded by fertile farms and ranches. Guadalupe's 2000 census population of 5700 increased to an estimated 6300 in 2005 of which over 80% are Hispanic or Latino. About 40% of the population is foreign-born with the majority born in Latin America. Most workers are involved in agriculture. With median household incomes below state average, there is a growing need for affordable workforce housing. City incomes are among the lowest in Santa Barbara County so most city residents qualify as those in the target incomes for affordable units.

Affordable housing projects in Guadalupe started in the 1980s. The first were Treasure Park and Bonita Pacifica which provided assistance for home ownership. As of January 2007, 282 units were on the ground and designated for families, seniors, farmworkers, homeowners, and the disabled. Slightly more than half are owner-

occupied with the rest being rentals. People's Self-Help Housing, Habitat for Humanity, the Santa Barbara County Housing Authority, and Community Development Block Grant have provided financing and administration of programs in Guadalupe.

The Housing Element was adopted June 1, 2004, certified July 9, 2004, and is considered to be in compliance by the state Housing and Community Development Department. Guadalupe has not adopted an inclusionary housing ordinance. RHNA goals call for 83 units; there are 165 units built, indicating Guadalupe has exceeded RHNA goals by 100%. Also, Guadalupe has exceeded RHNA goals in all income categories. Guadalupe's biggest success is the River View Project which has 130 residential units as well as a Community Center and Day Care Center. People's Self Help Housing assisted in building the project. It now administers River View which includes rentals, townhouses and free-standing owner occupied houses. Guadalupe continues to plan for additional affordable housing units.

Conclusion

Planning affordable housing countywide is critical. This report explains the affordable housing processes and difficulties jurisdictions face in meeting needs. Each jurisdiction is mandated to prepare a Housing Element and facilitate the development of affordable housing. In Santa Barbara County, this task is exceptionally challenging given the high market cost of housing.

The current RHNA allocations cover the period January 2001 to June 2008. This report summarizes jurisdictional responses to state mandates to provide affordable housing. Most jurisdictions have not accomplished all the RHNA goals in the current cycle of housing allocations, but they must face the next round soon. In the summer of 2007, SBCAG will again begin the process with the State Housing and Community Development Department. The process will not be easy. SBCAG needs to take a leadership role to develop housing solutions that build on previous successes. If the jurisdictions work cooperatively, the chances of meeting workforce housing needs can improve.

The thousands of people on waiting lists for affordable housing testify to the need for low-income housing. In addition, many others such as police, fire, education, health and emergency personnel commute to Santa Barbara County because they cannot afford to live here. To keep our county functioning well, there must be investment in housing for all.

FINDINGS

Finding 1

Santa Barbara County is a desirable residential area where demand for housing exceeds supply. The result is high market prices for housing.

Finding 2

Not only low-income people, but middle-income workers such as police, fire, education, health and emergency personnel often cannot afford to live in the jurisdiction where they work.

Finding 3

Funding to subsidize affordable housing is limited and not keeping pace with increased costs.

Finding 4

Housing Elements utilize zoning capacity and other policies to meet affordable housing requirements. However, construction of actual units is not required. Jurisdictions incur no penalty if no affordable housing units are built.

Finding 5

Affordable housing programs vary across jurisdictions but are not always matched to local needs.

Finding 6

There are varying degrees of public and local government support for affordable housing programs across jurisdictions.

Finding 7

Regional Housing Needs Assessment goals have not been met in most jurisdictions; there is a marked shortfall in the low and very low-income categories. Guadalupe is the sole exception.

Finding 8

Santa Barbara County Association of Governments does not monitor or acknowledge jurisdictional successes in meeting affordable housing goals. There is minimal effort to identify steps and patterns leading to success and to share this information with other jurisdictions.

Finding 9

Non-profit organizations such as the Housing Authority of the County of Santa Barbara, the Housing Authority of the City of Santa Barbara, People's Self-Help Housing and Habit for Humanity play an important role in affordable housing programs.

RECOMMENDATIONS

Recommendation 1

Since there is more than one way to develop and administer affordable housing programs, jurisdictions should focus on meeting local housing needs rather than relying on one type of program (e.g., owner-occupied and rental vs. rental only).

Recommendation 2

At least annually, each jurisdiction should hold informational community meetings to explain all aspects of its affordable housing program.

Recommendation 3

Jurisdictions should focus on developing more very low and low-income housing to meet Regional Housing Needs Assessment goals.

Recommendation 4

Santa Barbara County Association of Governments should organize regular meetings of jurisdictional representatives to share successes and problems in affordable housing programs.

Recommendation 5

Santa Barbara County Association of Governments should first collect data on jurisdictional performance and compare it to current Regional Housing Needs Assessments and then use this information in the next round of allocations.

Recommendation 6

Jurisdictions should utilize successful non-profits as co-developers and administrators of affordable housing programs.

REQUEST FOR RESPONSE

In accordance with Section 933(c) of the California Penal Code, each agency and government body affected by or named in this report is requested to respond in writing to the findings and recommendations in a timely manner. The following are the affected agencies for this report, with the mandated response period for each:

Santa Barbara County Board of Supervisors – 90 days

Findings	3-9
Recommendations	All

Santa Barbara City Council – 90 days

Findings	3-9
Recommendations	All

Goleta City Council – 90 days

Findings	3-9
Recommendations	All

Carpinteria City Council – 90 days

Findings	3-9
Recommendations	All

Santa Maria City Council – 90 days

Findings	3-9
Recommendations	All

Lompoc City Council – 90 days

Findings	3-9
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BROOKS FIRESTONE

Third District, Chair

SALUD CARBAJAL

First District, Vice Chair

JANET WOLF

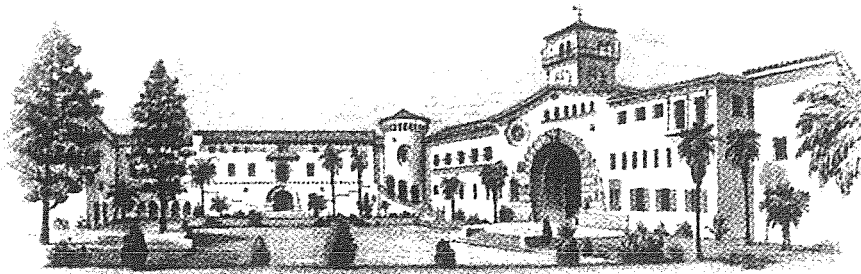
Second District

JONI GRAY

Fourth District

JOSEPH CENTENO

Fifth District



COUNTY OF SANTA BARBARA

BOARD OF SUPERVISORS

County Administration Building

105 East Anapamu Street

Santa Barbara, CA 93101

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www.countyofsb.org

Tuesday, August 14, 2007

Honorable Judge Rodney Melville
Presiding Judge
Superior Court
312-M East Cook Street
Santa Maria, California 93455-5165

**Board of Supervisors' Response to the 2006-07 Civil Grand Jury Report on:
*"Affordable Housing In Santa Barbara County – Myth or Reality?"***

Dear Judge Melville:

During its regular meeting of Tuesday, August 14, 2007, the Board of Supervisors adopted the following responses to the 2006-07 Grand Jury's report on "Affordable Housing In Santa Barbara County – Myth or Reality?".

The Board of Supervisors thanks the Grand Jury for its findings and recommendations on this important matter.

As required by the Grand Jury, responses for Findings 3-9 and all recommendations (1-6) follows.

Findings:

3. Funding to subsidize affordable housing is limited and not keeping pace with increased costs. **Response:** The Board agrees with this finding.
4. Housing elements utilize zoning capacity and other policies to meet affordable housing requirements. However, construction of actual units is not required. Jurisdictions incur no penalty if no affordable housing units are built. **Response:** While the Board agrees with this finding, the Board also appreciates the Grand

Jury's caution that the courts may enforce compliance with Housing Element law if suit is brought against a city or county.

5. Affordable housing programs vary across jurisdictions but are not always matched to local needs. **Response:** The Board agrees with this finding and endeavors to distribute affordable housing throughout the County. The Board also recognizes the importance of balancing affordable housing needs with the preferences expressed by and through the community planning process.
6. There are varying degrees of public and local government support for affordable housing programs across jurisdictions. **Response:** The Board agrees with this finding.
7. Regional Housing Needs assessment goals have not been met in most jurisdictions; there is a marked shortfall in the low and very low income categories. Guadalupe is the sole exception. **Response:** The Board agrees with this finding, but recognizes that the current planning period associated with the state's regional housing needs allocation has not ended.
8. Santa Barbara County association of Governments does not monitor or acknowledge jurisdictional successes in meeting affordable housing goals. There is minimal effort to identify steps and patterns leading to success and to share this information with other jurisdictions. **Response:** The Board agrees with this finding, noting that each jurisdiction's approach to addressing the shortage of affordable housing is different.
9. Non-profit organizations such as Housing Authority of the County of Santa Barbara, the Housing Authority of the City of Santa Barbara, People's Self-Help Housing and Habitat for Humanity play an important role in affordable housing programs. **Response:** The Board agrees with this finding.

Recommendations:

1. Since there is more than one way to develop and administer affordable housing programs, jurisdictions should focus on meeting local housing needs rather than relying on one type of program. (e.g., owner-occupied and rental vs. rental only). **Response:** This recommendation has been implemented and reflects County policy since the inception of the County's affordable housing programs. Since maximum qualifying annual incomes range from less than \$33,550, up to \$134,200 for a family of four, a flexible, diverse program rather than a 'one size fits all' approach has been followed. Our objective has always been to attain an optimal mix of rental and ownership opportunities within the context of serving the neediest.
2. At least annually, each jurisdiction should hold informational community meetings to explain all aspects of its affordable housing program. **Response:**

This recommendation has not yet been implemented, but will be implemented on an on-going basis. The County's first informational community meetings will precede the next major affordable housing development which is expected to be near completion sometime in the Spring of 2008. Meetings will be held in both the northern and southern parts of the County approximately 30-45 days prior to the beginning of the application process.

3. Jurisdictions should focus on developing more very low and low-income housing to meet Regional Housing Needs Assessment goals. **Response:** This recommendation has been implemented. The County has devoted HUD-allocated federal funds for Fiscal Year 2007/08 almost exclusively for the purpose of providing low and very low income housing opportunities. In addition, during the coming fiscal year, emphasis will be placed on utilizing developer 'in lieu' fees to meet very low and low income housing needs.
4. Santa Barbara County Association of Governments should organize regular meeting of jurisdictional representatives to share successes and problems in affordable housing programs. **Response:** This recommendation, directed at SBCAG is implemented via regular meeting of the Technical Planning Advisory Committee (TPAC). Although the final determination of whether or not this recommendation has been implemented rests with SBCAG, the County actively continues to participate in the regularly scheduled TPAC meetings.
5. Santa Barbara County Association of Governments should first collect data on jurisdictional performance and compare it to current Regional Housing Needs Assessments and then use this information in the next round of allocations. **Response:** This recommendation, directed at SBCAG has not, to our knowledge, been implemented. The County currently provides summary general plan and community specific data inclusive of housing information to SBCAG on a regular basis.
6. Jurisdictions should utilize successful non-profits as co-developers and administrators of affordable housing programs. **Response:** This recommendation has been implemented and has been standard County practice for many years. Typically, the County provides grant funds from Federal and State sources and some locally generated funds to non-profit developers who, in turn, construct and manage affordable housing projects. Three examples of developments partially funded with County grant funds which are currently under construction include St. Vincent's/Mercy Housing (Mercy Housing California), G & College (Lompoc Housing CDC), and Ted Zenich Gardens (County Housing Authority).

The Board sincerely thanks the Grand Jury for their thoughtful involvement in affordable housing issues, and we appreciate their comments and recommendations for improving our housing programs.

Sincerely,

Brooks Firestone
Chair, Board of Supervisors