



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
123 E. Anapamu Street, #202
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: September 10, 2019
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Community Services Deputy Director (805) 568-3523
Andrew Kish, Housing Program Specialist, Senior (805) 568-3534
SUBJECT: County Inclusionary Housing Ordinance – 2019 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements

County Counsel Concurrence

As to form: Yes

Planning and Development:

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a 2019 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements, which provides the Board with (1) an annual update and adjustments to the County's in-lieu inclusionary housing fees, and (2) an update and adjustments of the County's inclusionary housing requirements; and
- B. Determine that the receipt and filing of annual updates and adjustments to Inclusionary Housing Requirements and In-Lieu Inclusionary Housing Fees are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guideline section 15061(b)(3), finding that the activities are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and where it can be seen with certainty that there is no possibility that the activities in question may have a significant effect on the environment, the activities are not subject to CEQA.

Summary Text:

The County’s Inclusionary Housing Ordinance, Ordinance No. 4855 (IHO) directs that a report on the County’s inclusionary housing requirements with any necessary revisions and the annual in-lieu inclusionary housing fees with any needed adjustments be received and filed by the Board, effective as of the date of this hearing (the IHO does not require the Board to approve the adjustments to the 2019 inclusionary housing requirements or the 2019 in-lieu fees). The IHO was codified under County Code Chapter 46A. The IHO allows developers to satisfy the County’s inclusionary housing requirements by paying in-lieu fees instead of providing affordable housing units on-site. Projects located within the Cuyama Housing Market Area (HMA) are exempt from inclusionary housing requirements as provided in Section 46A-3 of the Inclusionary Housing Ordinance. Due to an increase in the median sales price of condominiums in each HMA between 2018 and 2019, the in lieu fee amount for each HMA was increased. Notable adjustments to the amount of in lieu fees were found within the South Coast HMA where the in-lieu fees increased by over 14% for each income category. And the Inclusionary housing requirements for residential projects with five or more lots/units in the Santa Ynez HMA for the Workforce housing income household category are waived for FY 2019 as the median home price is deemed affordable.

Background:

The IHO requires new residential projects with five or more units to construct a percentage of the units as affordable housing units. The IHO affords developers the option of satisfying the inclusionary housing requirements by paying fees in lieu of providing affordable units on-site. In-lieu fees are deposited in the County’s Housing Trust Fund and used to fund the development or rehabilitation of very low- and low-income housing, special needs housing, senior housing, veterans, and to assist non-profit organizations and other governmental agencies to provide or preserve affordable housing in the County. The adjustments to the 2019 in-lieu fees are based on data from the most recent condominium sales activity in 2018, which the Community Services Department (CSD) obtained from the County Assessor’s Office. In-lieu fees are reviewed and updated annually by the County’s CSD as required by the County’s IHO.

Inclusionary Housing Requirements:

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

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

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

The overall median sales price for condominiums in all 4 HMA's increased in 2019 over 2018. As a result, the following adjustment increases were made by CSD after an annual review of inclusionary housing requirements, which was completed in the third quarter of 2019 (Table 2):

- In-Lieu Fees for 2019 very low and low income units per HMA are: \$173,800 for the South Coast HMA (an increase of \$22,300 from 2018); \$92,400 for the Santa Maria HMA (an increase of \$6,400 from 2018); \$141,100 for the Santa Ynez HMA (an increase of \$7,200 from 2018) and \$95,600 for the Lompoc HMA (an increase of \$3,100 from 2018).
- In-Lieu Fees for 2019 moderate and workforce income units per HMA are: \$649,400 for the South Coast HMA (an increase of \$83,300 from 2018); \$237,200 for the Santa Maria HMA (an increase of \$16,500 from 2018); \$416,600 for the Santa Ynez HMA (an increase of \$21,300 from 2018) and \$218,700 for the Lompoc HMA (an increase of \$7,000 from 2018).
- Inclusionary housing requirements (including for developments of five or more lots/units) for the Lompoc HMA for moderate and workforce income household categories are waived for FY 2019 as the median home price is deemed affordable, using the factors identified above (Table 1).
- Inclusionary housing requirements (including for development of five or more lots/units) for the Santa Ynez HMA for the workforce housing income household category are waived for FY 2019 as the median home price is deemed affordable based on the factors identified above (Table 1).
- Inclusionary housing requirements (including for development of five or more lots/units) for the Santa Maria HMA for the workforce housing income household category are waived for FY 2019 as the median home price is deemed affordable based on the factors identified above (Table 1).

The adjustments to the Inclusionary Housing Requirements were based on home sales price records for each HMA over a twelve-month period as recorded by the County Assessor. The results of the 2019 Annual Adjustment of the Inclusionary Housing Requirements are shown in the following table:

TABLE 1 - Housing Requirements for the Inclusionary Housing Ordinance FY 2019-2020

Housing Market Area (HMA)	Very Low	Low	Moderate	Workforce	Total Inclusionary Housing %
South Coast	2.5%	2.5%	5%	5%	15%
Santa Ynez	2.5%	2.5%	5%	0%	10%
Santa Maria	2.5%	2.5%	5%	0%	10%
Lompoc	2.5%	2.5%	0%	0%	5%

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

The following table shows the updated in-lieu fees for 2019 and the prior year’s 2018 fees for comparison:

TABLE 2 - In-Lieu Fees for the Inclusionary Housing Ordinance

Housing Market Area (HMA)	2018 Very Low & Low	2019 Very Low & Low	2018 Moderate & Workforce	2019 Moderate and Workforce
South Coast	\$151,500	\$173,800	\$566,100	\$649,400
Santa Maria	\$86,000	\$92,400	\$220,700	\$237,200
Santa Ynez	\$133,900	\$141,100	\$395,300	\$416,600
Lompoc	\$92,500	\$95,600	\$211,700	\$218,700

Table 3 provides greater detail on how the percentage change in condominium sales prices between 2017 and 2018, impacts the increase between 2018 and 2019 in the calculation of in-lieu fees for ‘very low and low’ income units.

TABLE 3 - In-Lieu Fee Update for Very Low and Low Units based on % change in median sales price of condominiums

HMA	2017 Median Sales Price of Condominiums	2018 Median Sales Price of Condominiums	% Change	2018 In-Lieu Fee	2019 In-Lieu Fee	\$ Change
South Coast	\$665,951	\$763,990	14.72%	\$151,500	\$173,800	+\$22,300
Santa Maria	\$259,590	\$279,000	7.48%	\$86,000	\$92,400	+\$6,400
Santa Ynez	\$465,000	\$490,092	5.4%	\$133,900	\$141,100	+\$7,200
Lompoc	\$249,000	\$257,295	3.33%	\$92,500	\$95,600	+\$3,100

Table 4 provides greater detail on calculation of in lieu fees for Moderate and Workforce units, which uses the 2018 median sales price of condominiums as the baseline, from which 15% of the sales price is the incremental increase between 2018 and 2019 In Lieu fees.

TABLE 4 - In-Lieu Fee Update for Moderate and Workforce Units based on % change in median sales price of condominiums

HMA	2018 Median Sales Price of Condominiums	15% of Median Sales Price of Condominiums	2019 In-Lieu Fee	2018 In-Lieu Fee	\$ Change
South Coast	\$763,990	\$114,599	\$649,400	\$566,100	+\$83,300
Santa Maria	\$279,000	\$41,850	\$237,200	\$220,700	+\$16,500
Santa Ynez	\$490,092	\$73,514	\$416,600	\$395,300	+\$21,300
Lompoc	\$257,295	\$38,594	\$218,700	\$211,700	+\$7,000

Table 5 provides a historical analysis of condominium sales by Housing Market Area.

TABLE 5 - Median Condominium Sales Price by HMA, 2010-2018

Year	HMA			
	South Coast	Santa Maria	Santa Ynez	Lompoc
2010 (released July '11)	\$477,292	\$168,257	\$232,884	\$181,355
2011 (released July '12)	\$474,351	\$134,000	\$255,000	\$180,000
2012 (released July '13)	\$415,000	\$139,740	\$241,867	\$123,050
2013 (released July '14)	\$487,704	\$187,500	\$310,000	\$120,544
2014 (released July '15)	\$573,738	\$204,200	\$383,591	\$188,696
2015 (released July '16)	\$675,141	\$218,278	\$359,281	\$186,000
2016 (released July '17)	\$661,980	\$240,310	\$400,000	\$208,000
2017 (released July '18)	\$665,951	\$259,590	\$465,000	\$249,000
2018 (released July '19)	\$763,990	\$279,000	\$490,092	\$257,295

Uses of In-Lieu Inclusionary Housing Fees for the Production of New Housing

Section 46A-6(b) of the IHO provides for CSD to annually report to the Board on the status of in-lieu inclusionary housing fees paid pursuant to section 46A-4(b) and affordable housing and special needs housing activities undertaken with the In-Lieu Inclusionary Housing Fees.

The Board recently approved the use of In-Lieu fees for two housing projects currently under construction. Both projects are located in the City of Santa Maria:

Project	Population	Developer	HOME Funds	In-Lieu Funds	Total Dev. Costs
Residences at Depot Street	78 units for formerly homeless persons and 2 managers' units	County Housing Authority	\$1,994,459 (Includes \$186,342 in Santa Maria HOME funds)	\$1,178,978	\$37 million
Sierra Madre Cottages	39 units for low-income seniors and 1 manager's unit	Peoples' Self-Help Housing Corp.	\$1,114,988 (Includes \$349,107 in Santa Maria HOME funds)	\$285,012	\$23 million

Impacts:

Budgeted: Yes

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

Special Instructions:

Return a copy of the Minute Order by email to Andrew Kish akish@sbccsd.org

Attachments:

Attachment A – Inclusionary Housing Ordinance No. 4855

Attachment B – Inclusionary Requirement Calculations

Authored By:

Andrew Kish, Senior Housing Program Specialist

CC:

Lisa Plowman, Director, Planning and Development