



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: Community Services
Department No.: 057
For Agenda Of: September 11, 2018
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
Margo Wagner, Housing Program Specialist, Senior (805) 568-3529
SUBJECT: County Inclusionary Housing Ordinance – 2018 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: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a 2018 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 2018 inclusionary housing requirements or the 2018 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 between 2017 and 2018 in the median sales price of condominiums in each HMA, the in lieu fee amounts for each housing market area was increased. The 2017-18 increase in median sales price of condominiums in the Santa Maria HMA will increase the ‘moderate income’ inclusionary housing requirement from 0% in 2017 to 5% in 2018 for residential developments projects of five (5) or more lots/units.

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 2018 in-lieu fees are based on data from the most recent condominium sales activity in 2017, which the Community Services Department (CSD) obtained from the County Assessor’s Office. In-lieu fees shall be reviewed and updated periodically by the County’s Housing and Community Development Division (HCD) as necessary.

Inclusionary Housing Requirements:

Section 46A-6(a) of the IHO provides for CSD to annually review inclusionary housing requirements (Attachment 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:

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 2018 over 2017. 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 2018:

- In-Lieu Fees for 2018 very low and low income units per HMA are: \$151,500 for the South Coast HMA (an increase of \$900 from 2017); \$86,000 for the Santa Maria HMA (an increase of \$6,400 from 2017); \$133,900 for the Santa Ynez HMA (an increase of \$18,700 from 2017) and \$92,500 for the Lompoc HMA (an increase of \$15,200 from 2017).
- In-Lieu Fees for 2018 moderate and workforce income units per HMA are: \$566,100 for the South Coast HMA (an increase of \$3,400 from 2017); \$220,700 for the Santa Maria HMA (an increase of \$16,400 from 2017); \$395,300 for the Santa Ynez HMA (an increase of \$55,300 from 2017) and \$211,700 for the Lompoc HMA (an increase of \$34,900 from 2017).
- 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 2018 as the median home price is deemed affordable, using the factors identified above.
- 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 2018 as the median home price is deemed affordable based on the factors identified above.
- Due to the increase in the median sales price for condominiums in the Santa Maria HMA, developers will now be required to provide 5% of new housing units affordable for the moderate income level homebuyers in addition to the very low and low income levels or pay In-lieu fees.

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 2018 Annual Adjustment of the Inclusionary Housing Requirements are shown in the following table:

TABLE 1 - Housing Requirements for the Inclusionary Housing Ordinance FY 2018-19

Housing Market Area (HMA)	Very Low	Low	Moderate	Workforce	Total Inclusionary Housing %
South Coast	2.5%	2.5%	5%	5%	15%
Santa Ynez	2.5%	2.5%	5%	5%	15%
Santa Maria	2.5%	2.5%	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 2018 and the prior year’s 2017 fees for comparison:

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

Housing Market Area (HMA)	2017 Very Low & Low	2018 Very Low & Low	2017 Moderate & Workforce	2018 Moderate and Workforce
South Coast	\$150,600	\$151,500	\$562,700	\$566,100
Santa Maria	\$79,600	\$86,000	\$204,300	\$220,700
Santa Ynez	\$115,200	\$133,900	\$340,000	\$395,300
Lompoc	\$77,300	\$92,500	\$176,800	\$211,700

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

HMA	2016 Median Sales Price of Condominiums	2017 Median Sales Price of Condominiums	% Change	2017 In-Lieu Fee	2018 In-Lieu Fee	\$ Change
South Coast	\$661,980	\$665,951	0.60%	\$150,600	\$151,500	+\$900
Santa Maria	\$240,310	\$259,590	8.02%	\$ 79,600	\$86,000	+\$6,400
Santa Ynez	\$400,000	\$465,000	16.25%	\$115,200	\$133,900	+\$18,700
Lompoc	\$208,000	\$249,000	19.71%	\$ 77,300	\$92,500	+\$15,200

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

HMA	2017 Median Sales Price of Condominiums	15% of Median Sales Price of Condominiums	2018 In-Lieu Fee	2017 In-Lieu Fee	\$ Change
South Coast	\$665,951	\$99,893	\$566,100	\$562,700	\$3,400
Santa Maria	\$259,590	\$38,939	\$220,700	\$204,300	\$16,400
Santa Ynez	\$465,000	\$69,750	\$395,300	\$340,000	\$55,300
Lompoc	\$249,000	\$37,350	\$211,700	\$176,800	\$34,900

TABLE 5 - Median Condominium Sales Price by HMA, 2010-2017

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

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. In August 2018, the Board considered approval of a loan in the amount of \$1,178,978 from the In-Lieu Inclusionary Housing Fund to develop The Residences at Depot Street, an 80 unit affordable rental housing project in Santa Maria.

Impacts:

Budgeted: Yes

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

Special Instructions:

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

Attachments:

Attachment A – Inclusionary Housing Ordinance No. 4855

Authored By:

Margo Wagner, Senior Housing Program Specialist

Andrew Kish, Housing Program Specialist II

CC:

Dianne Black, Interim Director, Planning and Development