



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 12, 2023  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, Community Services Director (805) 568-2485  
Director(s)  
Contact Info: Laurie Baker, HCD Grants & Program Manager (805) 568-3521

**SUBJECT:** County Inclusionary Housing Ordinance – 2023 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements

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**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 2023 Update and Annual Adjustment of Affordable Housing In-Lieu Fees and Inclusionary Housing Requirements; and
- b) Determine that the above-recommended actions 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, which will be effective as of the date of the hearing on this item (the IHO does not require that the Board approve the adjustments to the 2023 inclusionary housing requirements or the 2023 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 IHO.

Due to increases in the median sales prices of single-family residences and condominiums in each HMA between 2022 and 2023, the in-lieu fee amount for each HMA was increased (Table 2), and requirements to produce affordable housing or pay the in-lieu fee were waived for FY 2023-24 only in the Workforce categories for the Santa Maria and Lompoc HMA’s (Table 1), as the median home prices in those areas are affordable for that income category.

**Background:**

The IHO requires new residential projects with five or more units to designate a percentage of such 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, and housing for seniors and veterans, and to assist non-profit organizations and other governmental agencies in providing or preserving affordable housing in the County. The adjustments to the 2023 in-lieu fees are based on data from the most recent condominium sales activity in 2022, which the Community Services Department (CSD) obtained from the County Assessor’s Office. In-lieu fees are reviewed and updated annually by CSD as required by the IHO.

**Inclusionary Housing Requirements:**

Section 46A-6(a) of the IHO provides for annual CSD review of inclusionary housing requirements (Attachment A). For any given year, inclusionary housing requirements to provide affordable housing or pay in-lieu fees 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 HMA over a twelve-month period is ‘affordable’ to moderate and/or workforce income categories, as applicable.

To determine affordability, the following factors are considered when calculating the monthly housing payment, including principal, interest, taxes, and property insurance, for the median home sales price in each HMA (Attachment B):

1. Thirty-year loan term with a fixed rate and five percent (5%) 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. Closing costs based on the 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 based on one and two-tenths percent (1.2%) of median home sales price; and
5. Property Insurance based on seven-tenths of one percent (0.7%) of median home sales price.

The overall median sales prices for condominiums in all 4 HMA’s increased in 2023 over 2022. As a result, adjustments were made to the In-Lieu fees after review of median price for each HMA’s condominium sales that occurred in the 2022 calendar year.

Inclusionary Housing Requirements

No adjustments to the Inclusionary Housing Requirements were made based on the home sales price records for each HMA over a twelve-month period as recorded by the County Assessor. The results of the 2023 Inclusionary Housing Requirements are shown below in Table 1, which reflect the percentage of the units that must be constructed as affordable housing units in comparison to the total number of units in new residential projects with five or more units:

**TABLE 1 - Housing Requirements for the Inclusionary Housing Ordinance FY 2023-2024**

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%	Waived	10%
Lompoc	2.5%	2.5%	5%	Waived	10%

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

Housing Market Area (HMA)	2022 Very Low & Low	2023 Very Low & Low	2022 Moderate & Workforce	2023 Moderate and Workforce
South Coast	\$199,600	\$235,500	\$745,600	\$879,800
Santa Ynez	\$182,100	\$212,400	\$537,500	\$626,900
Santa Maria	\$109,600	\$130,800	\$281,400	\$335,800
Lompoc	\$120,800	\$143,100	\$276,300	\$327,300

In-Lieu Fees (see Table 2)

1. Low and Very-Low Income Categories.

In-Lieu Fees for 2023 are: \$235,500 for the South Coast HMA (an increase of \$35,900 from 2022); \$130,800 for the Santa Maria HMA (an increase of \$21,200 from 2022); \$212,400 for the Santa Ynez HMA (an increase of \$30,300 from 2022); and \$143,100 for the Lompoc HMA (an increase of \$22,300 from 2022).

2. Moderate and Workforce Income Categories.

In-Lieu Fees for 2023 are: \$879,800 for the South Coast HMA (an increase of \$134,200 from 2022); \$335,800 for the Santa Maria HMA (an increase of \$54,400 from 2022); \$626,900 for the Santa Ynez HMA (an increase of \$89,400 from 2022); and \$327,300 for the Lompoc HMA (an increase of \$51,000 from 2022). The Santa Maria and Lompoc HMAs do not require in-lieu fees for the Workforce income categories for the year 2023, since the median home prices in those areas are affordable for the Workforce income category.

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 fees 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 and related policies.

The tables below show how recent sales affect the in-lieu fees.

- **Table 3** provides greater detail on how the percentage change in condominium sales prices between 2021 and 2022 impacts the calculation of in-lieu fees for ‘very low and low’ income units.
- **Table 4** provides greater detail on calculation of in-lieu fees for Moderate and Workforce units, which uses the 2022 median sales price of condominiums as the baseline, less 15%, which represents developer profit, as the incremental increase between 2022 and 2023 In-Lieu fees.
- **Table 5** provides a historical analysis of condominium sales by Housing Market Area.

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

HMA	2021 Median Sales Price of Condominiums	2022 Median Sales Price of Condominiums	%Change	2022 In-Lieu Fee	2023 In-Lieu Fee	\$ Change
South Coast	\$877,200	\$1,035,000	17.99%	\$199,600	\$235,500	+\$35,900
Santa Maria	\$331,000	\$395,000	19.34%	\$109,600	\$130,800	+\$21,200
Santa Ynez	\$632,400	\$737,500	16.62%	\$182,100	\$212,400	+\$30,300
Lompoc	\$325,000	\$385,000	18.46%	\$120,800	\$143,100	+\$22,300

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

HMA	2022 Median Sales Price of Condominiums	15% of Median Sales Price of Condominiums	2023 In-Lieu Fee	2022 In-Lieu Fee	\$ Change
South Coast	\$1,035,000	\$155,250	\$879,800	\$745,600	+\$134,200
Santa Maria	\$395,000	\$59,250	\$335,800	\$253,300	+\$82,500
Santa Ynez	\$737,500	\$110,625	\$626,900	\$537,500	+\$89,400
Lompoc	\$385,000	\$57,750	\$327,300	\$276,300	+\$51,000

**TABLE 5 - Median Condominium Sales Price by HMA, 2012-2022. Sales price data is released in July of the following year.**

Year	HMA			
	South Coast	Santa Maria	Santa Ynez	Lompoc
2022	\$1,035,000	\$395,000	\$737,500	\$385,000
2021	\$877,200	\$331,000	\$632,400	\$325,000
2020	\$806,863	\$298,000	\$527,188	\$281,424
2019	\$774,523	\$291,750	\$507,766	\$267,750
2018	\$763,990	\$279,000	\$490,092	\$257,295
2017	\$665,951	\$259,590	\$465,000	\$249,000
2016	\$661,980	\$240,310	\$400,000	\$208,000
2015	\$675,141	\$218,278	\$359,281	\$186,000
2014	\$573,738	\$204,200	\$383,591	\$188,696
2013	\$487,704	\$187,500	\$310,000	\$120,544
2012	\$415,000	\$139,740	\$241,867	\$123,050

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

Section 46A-6(b) of the IHO requires CSD to annually report to the Board on the status of in-lieu inclusionary housing fees paid pursuant to Santa Barbara County Code Chapter 46, and affordable housing and special needs housing activities undertaken with the In-Lieu Inclusionary Housing Fees.

In-lieu fees balances as of June 30, 2023 are shown in the table below:

HMA	BALANCE
South Coast	\$10,870
Santa Maria	\$254,796
Lompoc	\$46,322
Santa Ynez	\$320,437
Unrestricted	\$465,452
<b>TOTAL</b>	<b>\$1,097,877</b>

The projects below are recent housing projects that were partially funded with in-lieu fees.

<b>Project</b>	<b>Population</b>	<b>Developer</b>	<b>HOME Funds</b>	<b>In-Lieu Funds</b>	<b>Total Dev. Costs</b>
Residences at Depot Street, Santa Maria	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, Santa Maria	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
Sawyer Ave. Homes – Homeownership units, Carpinteria	3 homeownership units for very-low income families	Habitat for Humanity of Southern Santa Barbara County	\$0	\$300,000	\$1.8 million
West Cox Apartments	29 units of permanent supportive housing for formerly homeless persons, and one manager’s unit	County Housing Authority	\$0	\$450,000	\$11.5 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:**

Please return a copy of the Minute Order by email to Andrew Kish, [akish@countyofsb.org](mailto:akish@countyofsb.org)

**Attachments:**

Attachment A – Inclusionary Housing Ordinance No. 4855  
 Attachment B – Inclusionary Requirement Calculations for FY 2023

**Authored By:**

Andrew Kish, Housing Program Specialist, Sr.

**cc:**

Lisa Plowman, Director, Planning and Development