



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

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

**Department Name:** Community Services  
**Department No.:** 057  
**For Agenda Of:** August 23, 2016  
**Placement:** Administrative  
**Estimated Time** N/A  
**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: Dinah Lockhart, Deputy Director (805) 568-3523  
Andrew Kish, Housing Program Specialist II (805) 568-3534  
**SUBJECT:** County Inclusionary Housing Ordinance – Annual Updates to Affordable Housing  
Inclusionary Housing Requirements and In-Lieu Inclusionary Housing Fees

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: N/A

**Planning and Development:**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Receive and file a 2016 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, and direct staff to file a Notice of Exemption (Attachment A).

**Summary Text:**

The County's Inclusionary Housing Ordinance, Ordinance No. 4855 (IHO), (Attachment B) directs that a report on the County's inclusionary housing requirements with any necessary revisions and any adjustments to the annual in-lieu inclusionary housing fees be received and filed by the Board no later than August 31st of each fiscal year. (The IHO does not require the Board to approve the adjustments to the 2016 inclusionary housing requirements or the 2016 in-lieu fee). 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 constructing affordable housing units on-site. Projects located within the Cuyama Housing Market Area are exempt from inclusionary housing requirements as provided in Section 46A-3 of the IHO. Changes this year include the adjustment of the in-lieu fee amounts for each Housing Market Area (HMA), and that the inclusionary housing requirements for the Workforce Income household category now apply in the Santa Ynez HMA for developments of five to nineteen lots/units during FY 2016. County Housing and Community Development (HCD) staff will apply the adjusted in-lieu fees and inclusionary housing requirements after the Board receives and files the updates.

**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 paying fees in lieu of constructing affordable units. 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, and to assist non-profit organizations and other governmental agencies to provide or preserve affordable housing in the County.

**Inclusionary Housing Requirements**

Section 46A-6(a) of the IHO provides for CSD to annually review the inclusionary housing requirements. For any given year, the 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 a non-exempt HMA over a twelve-month period is 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:

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 in the western region of the United States;
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 in the western region of the United States;

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 following adjustment was made by CSD after an annual review of the inclusionary housing requirements, which was completed in the third quarter of 2016:

- Inclusionary housing requirement is no longer waived for the Workforce Income household category in the Santa Ynez HMA during FY 2016-17.

This adjustment was based on home sales price records for HMA over a twelve-month period as recorded by the County Assessor. The overall 2016 Santa Ynez inclusionary housing requirements are shown in the following table:

**Housing Requirements for the Inclusionary Housing Ordinance for FY 2016-17**

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

The grey-highlighted portion of this table reflects the adjustment to the County's Inclusionary Housing Requirements for FY 2016-17. The percentages represent the percent of housing units that will be price-restricted to the applicable affordable level.

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 total amount of In-Lieu fees collected in FY of 2015-16 was \$605,475 for the Rice Ranch development in the Santa Maria Housing Market Area. The total balance of in-lieu fees available are \$1,119,081 for affordable housing projects and \$279,724 for administrative purposes. The last project developed using In-Lieu fees was the Rancho Hermosa Low Income Housing project in the Santa Maria HMA in 2011. There are affordable housing projects in various stages of development, primarily in north County, for which in-lieu funds may be used. County funding is contingent on projects receiving awards of low-income housing tax credits, awarded competitively by the State in two funding cycles each year.

#### In-Lieu Fees

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.

**In-Lieu Fees for the Inclusionary Housing Ordinance for FY 2016-17**

<b>Housing Market Area (HMA)</b>	<b>Very Low and Low</b>	<b>Moderate and Workforce</b>
South Coast	\$153,600	\$573,900
Santa Maria	\$72,300	\$185,500
Santa Ynez	\$103,500	\$305,400
Lompoc	\$69,100	\$158,100

The following table shows the calculations for the updated in-lieu fees for “Very Low and Low Units” which are based upon the percentage change in median sales price of condominiums:

<b>HMA</b>	<b>2014 Median Sales Price of Condominiums</b>	<b>2015 Median Sales Price of Condominiums</b>	<b>% Change</b>	<b>2015 In-Lieu Fee</b>	<b>plus % change</b>	<b>2016 In-Lieu Fee</b>
South Coast	\$573,738	\$675,141	17.67%	\$130,500	\$23,064.69	\$153,600
Santa Maria	\$204,200	\$218,278	6.89%	\$67,600	\$4,660.49	\$72,300
Santa Ynez	\$383,591	\$359,281	-6.34%	\$110,500	-\$7,002.91	\$103,500
Lompoc	\$188,696	\$186,000	-1.43%	\$70,100	-\$1,001.56	\$69,100

The following table shows the calculations for the updated in-lieu fees for Moderate and Workforce units which are intended to reflect the estimated cost to build a housing unit, which is calculated from the median sales price of condominiums in the HMA over a 12 month period less 15% which represents the developer profit:

<b>HMA</b>	<b>2015 Median Sales Price of Condominiums</b>	<b>15% of Median Sales Price of Condominiums</b>	<b>2016 In-Lieu Fee</b>
South Coast	\$675,141	\$101,271.15	\$573,900
Santa Maria	\$218,278	\$32,741.70	\$185,500
Santa Ynez	\$359,281	\$53,892.15	\$305,400
Lompoc	\$186,000	\$27,900.00	\$158,100

**Median Condominium Sales Price by HMA, 2009-2016**

Year	HMA			
	South Coast	Santa Maria	Santa Ynez	Lompoc
2009 (released July '10)	\$487,500	\$165,107	\$311,141	\$174,798
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

**Fiscal and Facilities Impacts:**

Budgeted: Yes

Any change in 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 Andrew Kish, HCD, Property Management Program.

**Attachments:**

Attachment A – CEQA Notice of Exemption

Attachment B – Inclusionary Housing Ordinance No. 4855

**Authored By:**

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**cc:**

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Scott Greenwood, Deputy County Counsel