

23 November 2010

Dear Mayor and Council members:

Increasing density in our C-2 zones cannot provide market housing affordable to our workforce.

In 1975 the price of our commercial land value averaged \$30 per sq. and the cost of R-3 land value was \$15 per sq ft., half as much. During the last 35 years this same relationship in land value between the two zones held true and it still does today.

If one develops units at our current density in our R-3 zone, the raw land portion is 10% of the selling price of a unit. Since the land costs twice as much in our commercial zone, the land portion there is 20% of the selling price of a unit.

Doubling the density in our commercial zones will reduce the land cost per unit in half, but since land is 20% of the unit selling price, doubling density reduces the selling price of a unit by only 10%. This reduces a \$1,000,000 downtown market unit to \$900,000, still not affordable to our workforce.

This 10% reduction is only if the increased density did not cause an increase in the price of land, but all across our country every place the density was increased it resulted in an increase in the price per sq. ft. of that land.

Doubling the density in our commercial zones has the financial effect on any project of lowering the land cost per unit to match the current price of land per unit in our R-3 zone. Therefore all it can accomplish is to make projects in our commercial zone match the financial pro forma of what a new project today in our R-3 zone can accomplish.

During the last 10 years no market rate project in our R-3 zone has developed even one market unit that was sold at a price such that a loan would be affordable to a workforce income. Therefore, if units affordable to our workforce are not being developed now under current R-3 land price, then doubling density in our commercial zone to reduce its land price to match our R-3 land price cannot possibly provide units affordable to our workforce

There are only five methods that can create housing affordable to our workforce:

1. Rental units -- created by putting in place a 100% bonus density over the medium density.
2. Housing developed by employers or non profits.
3. Housing developed by our Housing Authority, which has successfully developed affordable units at our existing density and almost always located in the R-3 zones.
4. Very small 500 or 600 sq. ft. units (1000 sq. ft. market units can't do it as the market price for them exceeds \$700,000, which exceeds the loan amount a workforce can qualify for.
5. A money subsidy.

All across the state and country, the places with high density have more expensive units than the low-density zones.

Examples are San Francisco, the Wilshire area of L.A, the high-rise area in San Diego or Santa Monica, which all implemented high density and the price of land increased and the price of units increased to more than the workforce can afford.

On the South Coast, the areas with higher allowed density always have a higher land price and this in turn causes the price of units always to be higher in these higher density areas. Proof of this is that housing units are lower price in the lower density areas like Carpinteria and Goleta than they are in the higher density downtown area of Santa Barbara.

The point here is that this letter is based on the reality of how housing development and land prices and unit prices actually work in the real world, while the solution to satisfy our common goal to have housing affordable for our workforce that city staff, the planning commission, and the housing advocates are proposing is nothing but a theory with no basis of how things actually work in the real world.

For the last 30 years my sister, Joan, has lived in Portland, the poster child for Smart Growth. I have visited there often and made it a point to call around and to research what effect smart growth actually had. Many residents hated it and opposed high density "projects" located in their area but they were "forced in" by "Metro" the multi-county planning authority. When they drew their urban limit line and implemented vertical growth instead of horizontal growth, the price of housing units skyrocketed. Traffic congestion increased and often slowed to a crawl. Many of the new high density projects adjacent to transit had to be heavily subsidized by the taxpayer, and even then many sat nearly empty because few wanted to live that

way. Smart growth occurred in Portland because the council turned over planning to a regional planning agency similar to our SBCAG. And they were able to implement smart growth on a sneaky basis by at first calling it just alternate transportation, bike paths and traffic calming. Once it got its foot in the door it just kept expanding and expanding like a “slippery slope”. That is why the last thing we should do is to implement high density on a trial basis, as it would surely only be extended and expanded by future city councils, and it would be absolutely impossible to make it go away.

Gil Barry