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May 27, 2023

To: Planning Commission

Re: Draft 2023 Housing Element Update
(June 1, 2023 Agenda, Item IV)

Chair Bonderson and Planning Commissioners,

Allied Neighborhoods Association appreciates the opportunity to comment on the Revised Draft 2023–2031 Housing Element. In our comments we will refer to all three iterations of the document - the Public Review Draft (the original document, July 2022), the HCD Review Draft (August 2022), and the current Revised Draft (April 10, 2023). Because the Planning Commission Staff Report provided the track changes version of the Revised Draft, we will refer to it as the TC Revised Draft for those page references.

1) Appendices.

We look forward to the seven Appendices being listed on the Content page when the document goes to Council.

2) Table 16: Income Categories and Affordable Housing Costs (pg. 20, TC Revised Draft). The Table has Income Limits, and both Affordable Rent and Affordable Price columns. (RHNA uses County AMI, currently \$100,100.00 for a 4-person household.)

Looking at Low (51 – 80% AMI) – why is the Income Limit (for a 4-person household) \$111,900? This is well above 100% AMI; the income category tops out at 80% AMI. Similarly, why does the Income Limit for Extremely Low and Very Low categories also appear to be too high? If the Income Limit is too high, that would translate into too high (i.e., overstated) Affordable Rent and Affordable Price, and the household paying more than the standard of 30% of income.

3) Why Have Students Been Added as a Special Group for Affordable ADUs?

Planning Commission, and subsequently City Council, had a hearing on the Public Review Draft in July 2022. Program HE-4 in that document (pg. 88, regarding Accessory Dwelling Units), last sentence reads: *“The City will research and collaborate with community organizations and nonprofits to promote ADUs as affordable housing and look for ways to incentivize property owners to provide ADUs as housing for low-income seniors and other community members in need of affordable housing.”* (emphasis added)

Subsequent to the July 2022 hearings staff made numerous changes; in mid-August 2022 the resulting new version of the document called the HCD Review Draft was sent to Housing and Community Development for their review. This document was made available after submittal to HCD, but no public hearing.

The text cited above was revised in the HCD Review Draft (pg. 92) to read: *“The City will research and collaborate with community organizations and nonprofits who are interested in offering ADUs as deed-restricted affordable housing and look for ways to implement a pilot program with incentives for property owners to provide ADUs as deed-restricted housing or housing choice vouchers for low-income seniors, **students**, and other community members in need of affordable housing.”* (emphasis added)

We do not agree that students should be specifically called out and elevated as a special group. We feel strongly that the last part of that sentence should go back to the original language: *“...**for low-income seniors and other community members in need of affordable housing.**”*

(Note: In the TC Revised Draft you’re reviewing, Facilitate Production of Accessory Dwelling Units (ADUs) has been changed to Program **HE-6** (pg.122). Adding “students” was made to the HCD Review Draft (and is shown as new language in the track changes version of the HCD Review Draft).

4) Housing Affordability. We have a huge housing **affordability** problem, often referred to as a housing affordability crisis. It affects the ability of local employers to retain employees, and attract and hire new employees. It affects our residents’ ability both to obtain housing and remain in housing with such high rents. It affects K-12 public schools in SB; media reporting is enrollment is down in some schools, not because more students in the past couple of years are going to private schools, but because families are moving out of Santa Barbara. The City of Santa Barbara itself is, and has been, having difficulty retaining employees and filling vacant positions; our Police Chief calls it “the Santa Barbara factor”.

5) Housing Numbers. Let’s look at housing numbers, in the context of our Cycle 5 and Cycle 6 RHNA Allocation. Let’s look at what’s ahead and where we’ve been.

A) 6th Cycle RHNA Allocation (Table 41, pg. 94, TC Revised Draft). The new allocation of 8,001 housing units is shown below as percentages:

<u>Very Low</u> (up to 50% AMI)	<u>Low</u> (50-80% AMI)	<u>Moderate</u> (80-120% AMI)	<u>Above Moderate</u> (120% and above AMI)
26.83%	17.26%	18.01%	37.90%

Very Low and Low income categories together = 44.09% (our understanding is it's usually a competitive process to secure funding for these income categories)

Moderate + Very Low and Low = 62.10%. That's almost 2/3 of new housing. (For the Moderate 18.01%, it's our understanding there is very limited to scarce funding/financing)

B) 5th Cycle RHNA Allocation Progress (Housing Units).

Regional Housing Needs Allocation Status (2015 – 2022). Table 1 (pg. xiii, TC Revised Draft)

TABLE 1: REGIONAL HOUSING NEEDS ALLOCATION STATUS (2015 - 2022)

RHNA Income Category	2015 – 2022 RHNA	2015 – 2022 Progress	Remaining Allocation	Percent Remaining
Very Low	962	120	842	87.5%
Low	701	115	586	84.0%
Moderate	820	12	804	98.5%
Above Moderate	1,617	1,577	36	2.5%
Total	4,100	1,824	2268	55.3%

As the City has been tracking and reporting, **results are very poor for Very Low, Low, and especially Moderate.** *“There are multiple reasons why affordable units are not being produced at the same level as market rate but lack of financing is one of the key factors.”* (pg. xiii, TC Revised Draft) (emphasis added)

C) Quantified Objectives.

Table 47: Quantified Objectives (2023 – 2031), pg. 107, TC Revised Draft. Extremely Low and Very Low, from the Table, have been aggregated together below under Very Low to match RHNA income categories. Quantified Objectives are staff estimates. *“State-required estimates of the number of units likely to be constructed, rehabilitated, or conserved/preserved by income level during the planning period”* (pg. ix, TC Revised Draft, Glossary definition)

The staff estimate for new construction is 3,083 units; it's shown below as percentages by income categories:

Very Low – 7.72%

Low – 10.64%

Moderate – 9.50%

Above Moderate – 72.14%

Very Low, Low and Moderate new construction estimate = 27.86%; a far cry from 62.10% (the 6th Cycle allocation percentage, previously discussed above under Housing Numbers section, 6th Cycle).

Cycle 6 allocation for Above Moderate is 37.90%; staff estimate of what will get built is 72.14%. **This is a problem**; this is completely upside down, and not meeting our needs.

Table 47 also includes the following for existing housing: rehabilitation of 158 units and conservation/preservation of 101 units in Low; and rehabilitation of 4 units in Very Low.

6) 2017 Keyser Marston Nexus and Feasibility Study.

The City hired Keyser Marston Associates and in December 2017 they issued their Study. Appendix B (pg. 33 of that Appendix; pdf 89 of 128) includes Summary Findings and a Table on that page. *“The table shows the total demand for affordable housing units associated with 100 market rate AUD units.”* (emphasis added)

Page 1 of the Study summarizes KMA's scope of work, which included a Nexus Study. *“To determine the quantitative relationship between housing units developed through the AUD Program and the resulting increased need for affordable housing in Santa Barbara.”*

Also from Appendix B (pg. 33): *“Housing demand for new worker households earning less than 120% of AMI ranges from 35.6 units per 100 medium high density ownership AUD units to 18.4 per 100 priority overlay rental AUD units.”*

7) HE-21: Monitor and Preserve Existing Affordable Housing (pg. 135, TC Revised Draft)

Good to see this topic as its own program.

Disappointing to read there's 199 affordable, deed restricted rental and ownership units at risk for conversion to market rate in the next 10 years – and that a large number may convert to market rate. *“... the City will prioritize preservation of existing affordable units, with the objective of preserving at least 73 affordable rental units owned by nonprofit entities during this 6th Cycle Housing Element.”*

The above from HE-21, and the discussion and Tables (beginning on pg. 26 ,TC Revised Draft), remind us of the importance of long affordability covenants, and especially the value of rolling 90-year covenants. (This section also includes the cost of \$702,413 per unit for Vera Cruz Village under construction.)

Tables: Table 19 (pg. 27) - 80 rental units with affordability expiring 2023 – 2028; Table 20 (pg. 28) - 119 ownership units with affordability expiring 2022 – 2032. Table 21 (pg. 30) - 44 units that expired 2015 to 2022.

8) Housing Plan, Program Time Frames.

Time Frame for Programs in the Public Review Draft (July 2022) said, “*To be determined pending public review*”. Time Frames in the HCD Review Draft (August 2022) included general language, such as - Short, Short to Medium, Medium to Long, Medium and ongoing, Ongoing, etc.

Only now, in the Revised Draft (April 2023), is each Time Frame much more specific – usually with month and year and/or, ongoing.

Are Time Frames considered commitments to HCD on each specific Program? With the now required Annual General Plan Progress Report, will each Housing Element Program be evaluated against the Time Frame in the adopted 2023-2031 Housing Element? (And how much of a problem is it if a Time Frame is not met?)

9) “Policy 4.3; Housing for Residents.” *Promote the use of housing for residents through ordinances and zoning changes and limit practices such as short-term rentals, conversions to hotels, and prolonged vacancies.*” (pg. 131, TC Revised Draft). (emphasis added) This policy language has remained the same in all three iterations of the HE.

10) HE-17: Short-Term Rental/Framework and Ordinance (pg. 132/133, TC Revised Draft).

On April 25th Council adopted a Resolution and moved forward with a **12-month Short-Term Rental Enforcement Pilot Program**. Allied supported the Pilot Program.

A) Time Frame

The HE-17 Time Frame currently reads: “**Time Frame: Framework in 2023, Zoning Ordinance Amendments by June 2025**”. In light of the new 12-month STR Pilot Program, “*Framework in 2023*” should be revised to “*Framework in 2024*”. In addition, at the May 24th Community Development budget hearing, Director Isaacson said work at Planning Commission is calendared out through the end of 2023.

Council is looking forward to information that will come out of the Pilot Program, and that can inform the Framework.

B) Specific Language in the Program

It's important to keep in mind "*Policy 4.3: Housing for Residents*", cited above.

Allied is concerned that some language in HE-17 **is too specific**, language that should be part of the discussion during development of the Framework - and not be included in today's Revised Draft. That language is: "*The program will determine which residential units would be eligible for short-term rental, including evaluating how to preserve existing long-term rental housing by considering a requirement that the unit is occupied by the owner as their primary residence...*" (pg. 132, TC Revised Draft).

This would open up a whole lot of housing for short-term rentals (especially in the Inland area). Currently, in the Inland area (Title 30), short-term rentals are not an allowed use in the following housing zone designations: residential single-unit zones, R-2, and multi-unit housing zone R-M.

It's been more than 8 years without real enforcement of our zoning ordinance in the above **Inland area** residential zones (which is why the 12-month Short-Term Rental Enforcement Pilot Program is so important). We need to get a handle on unlawful short-term rentals there **before** we consider any expansion or new program.

As we wrote to City Council on April 23 (to the Short-Term Rental Enforcement Pilot Program, April 25 Agenda, Item #16), "*We need to get a handle on enforcement of unlawful STRs, otherwise it sends a signal that ordinances don't matter. Whether it's unpermitted construction (such as turning a garage into a dwelling unit) or a residential unit used as a short-term rental without permit, enforcement is very important.*"

STRs in the Coastal Zone (Title 28) must be handled differently (result of the court case). At the May 24th Community Development budget hearing Councilmember Jordan mentioned STRs in the Coastal Zone (CZ). At a previous meeting (probably earlier in May) he mentioned something about possibly designating an area in the Coastal Zone where STRs are allowed, and other CZ areas where STRs would not be an allowed use. Of course, all this would have to pass muster with the Coastal Commission. As the Coastal Zone is required to be handled differently (both because of the court case, and because of coastal policies and the Coastal Commission), it could be worked on separately and first in 2024, while the Inland area (Title 30) framework should wait completion of the 12-month Enforcement Pilot Program. **In the Inland area, enforcement is essential before embarking on any new STR program.**

We also want to include it's our understanding that no AUD rental units are allowed to convert to STRs; there is supposed to be a covenant to that effect on each AUD rental project. We'd like to have that confirmed. (We remember when the Arlington Village AUD rental project, before completion of construction, proposed to have a number of the approved rental housing units become STRs – and that was not allowed)

11) HE-12: Affordable Housing Trust Fund

The original language reviewed by Planning Commission, and subsequently Council, in July 2022 (pg. 93, Public Review Draft) included “...*Affordable Housing Trust Fund(s) to be used in support of the production, acquisition, maintenance, or rehabilitation of affordable housing.*”

In the HCD Draft HE-11 (pg. 97) the language was extensively expanded, to be generally what’s in the Revised Draft today. Our concern is “*rent security/emergency rent relief grants and low-interest loans*” and “*down payment*”. **With sky high rents and home prices, the limited funds could easily be almost exhausted by rent security/emergency rent relief grants and low-interest loans, and down payments.**

Before this rescheduled Planning Commission hearing, Ordinance Committee had a meeting May 9th on the Affordable Housing Trust Fund (renamed the HOPE Fund). At the Ordinance Committee meeting, the importance of **90-year affordability** was expressed by Rob Fredericks of the Housing Authority, the League of Women Voters and others during public comment, and in written correspondence (including Allied) prior to the hearing.

The Ordinance Committee Staff Report on the HOPE Fund (pg. 4) included a chart for use of funds for Above Moderate to the top of Upper Middle-Income (200% AMI) housing with only 10 – 20 years of affordability. As we said in our letter of May 7th “*With the limited amount of land in the City, the HOPE Fund should not go down the road of subsidizing housing with only 10 – 20 years of affordability; that’s **very short term planning** (and short sighted).*”

At that meeting Rob Fredericks said 90% of the HOPE Fund should be used for creating new and permanent affordable housing; we agree with the Housing Authority. The League of Women Voters said the Fund should focus on building and preserving permanent affordable housing. The Housing Authority letter had a wealth of information (including new data and charts).

12) HE-29: Affordable Housing Funding (pg. 142, TC Revised Draft)

A) “*Following the results of the studies and if warranted, the City will proceed with the voter-approval process by the 2026 general election date for any new tax initiatives.*”

If the first five options all require a study before anything moves forward, almost half of Cycle 6 will have elapsed by the time a possible new permanent funding source would go into effect (January 2027) - if a specific tax, such as TOT for Affordable housing, were to be approved.

B) The sixth option is: “*Nonresidential development impact fee for housing (requires a nexus study)*” And, “*By December 2025, the City will conduct a nexus study for a potential housing development impact fee for nonresidential development to be*

collected for the Affordable Housing Trust Fund. The fee will be implemented by 2027 if warranted by the results of the study.”

There was an opportunity to move nonresidential Development Impact Fees forward in 2016, but a majority of Council at that time decided not to.

This option, we assume, will be unpopular with the development community. We expect it would be a slow revenue source (especially compared to a TOT increase) but an option nonetheless, especially if all else fails - or possibly an additional revenue source.

In closing, staff estimates Cycle 6 Above Moderate income category (refer to Quantified Objectives) will be 72+% of all new construction. Cycle 6 RHNA says we only need 37.90% Above Moderate. We cannot build our way out of this situation with market rate housing, especially as the current inclusionary requirements do not even keep pace with the increased demand for Affordable housing created by new market-rate housing (2017 Keyser Marston Study). And thus, we really make no real progress towards the 44+% Very Low and Low Income Affordable housing and the 18+% Moderate Income housing in Cycle 6 - and our general housing **unaffordability** situation of very high rents and very high housing prices will continue.

As folks are unable to continue to pay the high rents and high prices for housing, they will move away and we assume other folks from out of the area who can afford the high rents and high housing prices will replace them - Santa Barbara is known worldwide as a very desirable place to live. Who will fill the need for local workers?

The Housing Authority and other non-profits that build Affordable housing need funding; with some funding they can go out and compete for tax credit financing for example. Of course, we continue to be impacted from the loss of dedicated funding from the dissolution of the Redevelopment Agency. The Housing Authority has told everyone they can leverage funds 8 – 11 times.

We appreciate your consideration of our comments.

Sincerely,
Allied Neighborhoods Association

Cc: Allison De Busk, Rosie Dyste, Daniel Gullett, Elias Isaacson, Rebecca Bjork, Sarah Knecht, Mayor and City Council, Laura Dubbels, Keith DeMartini