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July 11, 2022

To: Planning Commission

Re: Draft 2023 Housing Element (July 14, 2022 Agenda, Item IV)

Chair Escobedo and Planning Commissioners,

Allied Neighborhoods Association appreciates the opportunity to provide comment on the Draft 2023 Housing Element (Draft HE). Our comments are generally organized in two sections: general comments and more specific comments (mainly to Policies and Programs).

A. We have an ***Affordability*** crisis. Especially hard hit are our renters, who comprise almost 60% of our residents. This is vividly shown by Figure B-24, Renter Overpaying For Housing – Santa Barbara. Additionally, since this data was collected, rents have continued to increase. (We observe this as we collect rental data via advertised rental rates on Craigslist, Zillow, Apartments.com and other sites. We have submitted some data to Planning Commission and additional data sets to Council in letters when housing has been on the agenda.) Our adopted 2023 Housing Element Goals state, "Prioritize Affordable Housing" (Draft HE, pg. 90), and Fund Affordable Housing (Draft HE, pg. 102). Affordable Housing is more important than ever.

B. Planning Commission and City Council have previously reviewed the 5th Cycle 2015-2023 RHNA chart. It shows that construction of new housing units is <u>extremely lacking in Very Low, Low and Moderate Income categories.</u> We have tremendous need in these categories.

Our 6th Cycle allocation (Draft HE, pg. 71) shows around ***37%*** for Above Moderate (120%+ AMI) . Adjustments to these 6th Cycle numbers, for Pipeline Project Units and ADUs, are shown in the Staff Report (pg. 4); doing the math, the remaining allocation for Above Moderate is ***30%.*** The <u>Quantified Objectives Table for 2023 – 2031</u> (Draft HE, pg. 74) shows Above Moderate new housing units at ***72%*** of all new construction!

From the Quantified Objective section: *"The quantified objectives do not represent a ceiling on development, but rather set a target goal for the City to achieve based on needs, resources and constraints. The City's best estimate of what could actually be constructed during the 2023-2031…"*

Something is terribly wrong when this (72% of all new construction at Above Moderate) is the "City's best estimate" of what could actually be constructed during 2023-2031, as further described in that section. This majority of new housing for the upper income category does not correspond with the need we have in our community, nor our allocations. And only reinforces that we need to focus our policies and programs for Very Low, Low and Moderate Income housing. This will require changing from incentivizing market rate housing (mainly what we've been doing) to focusing on our Very Low, Low and Moderate Income housing. Price-restricted housing is the method to insure it's affordable to our residents and workers. If it's not price restricted, it's market rate. (Please also see pg. 3, 2nd paragraph of #4, Housing Authority project with price-restricted Above Moderate housing in limited amount.)

C. No explanation or definition has been provided for terms "by-right approval" and "by-right processing". Both terms are used in the Draft HE, and "by-right processing" is used in the Staff Report (pg. 3). HE-7 (pg. 90) uses both "by-right approval" and "by-right processing". Without additional explanation of these terms, it is very difficult to evaluate text where these terms are used. We would appreciate staff explaining the terms, and application in the referenced sections.

The Charter speaks about ABR and HLC approval. How does this work with "by-right approval"?

D. As stated in the Staff Report (pg. 4) HCD now requires Programs (rather than Possible Implementation Actions to be Considered, as in our current Housing Element). From the description provided, Programs appear to be commitments the City is making to HCD. An overarching comment about the Housing Plan is, we need to be careful about the language regarding the Program commitments we're making, especially as most of these Programs have not had the opportunity for more detailed explanation and public discussion. Some Programs have many ideas listed, but these should not be commitments prior to our normal robust public process to determine the specifics of each Program. We assume this process is not in July.

E. This HE Update process has some very compressed timeframes; the month of July is one of these. The Housing Element Draft is 250 pages!! Only 7 days from release of Draft to the Planning Commission deadline for written public comment, and only 5 days from release of the Staff Report to the deadline. In addition, the one and only City Council hearing until the very end of this process in early 2023, is also in July.

This July work is without the benefit of the Draft EIR, and the analysis of environmental impacts. It's our understanding the Draft EIR also includes extension of our Program EIR - from 2031 to 2035.

"Updated Draft HE". Also in the timeline, it appears the public and decision makers will not see the "updated" Draft HE sent to HCD. Staff Report, Next Steps says*: "The Public Review Draft 2023 Housing Element is scheduled for discussion and further public input at the July 26th City Council meeting. After the 30-day public review period closes on August 3, 2022, staff will review and consider comments received and make revisions as necessary. The updated Draft 2023 Housing Element will then be submitted to HCD for their 90- day review."*

After HCD review, it's our understanding (based on a previous hearing timeline chart) that staff will again work on revisions, as necessary, based on HCD comment, with that (revised yet again) Draft being released in early 2023 prior to the Planning Commission hearing.

A red-lined version of the "updated" Draft sent to HCD needs to be posted online after it's sent. There is interest in seeing the "updated" Draft and being able to review changes made from the "original" Draft we're now reviewing.

Reading the "updated" Draft sent to HCD, during their 90-day period, will allow everyone to understand the progression of the Draft Housing Element before the "revised yet again" document comes to Planning Commission in early 2023. At that point, we're weeks away from Council adoption by February 15, 2023.

Specific comments (mainly on Policies and Programs):

1. Policy 8.1. Identifying new funding sources for Affordable housing is absolutely necessary. We need to explore multiple ideas and not limit the effort to only looking at a single idea, in case that source of funding doesn't work out. At the kick-off of the City's Fiscal Sustainability Initiative (Finance Committee, June 14 meeting), we were encouraged to hear as part of the discussion the need for permanent funding for Affordable housing.

2. HE-1: Facilitating Conversion of Nonresidential Buildings to Housing. We look forward to specific details and discussion of an adaptive reuse program. Assume that process would be our regular Ordinance process (Planning Commission hearing, Ordinance Committee, and adoption by Council). We also assume this will be the process for other ordinances that come out of the Draft HE.

3. HE-5: Objective Design Standards. We'd like to highlight the last sentence: *"This program is envisioned as an opt-in alternative for developers who are seeking a streamlined alternative to the City's design review process."* This feature will be important as it will allow for flexibility and creativity in design, and all design won't have to be by-the-book design. A beautiful design such as the Courthouse (if it contained housing), might not be possible under these new Standards without the option to go through design review as a non-Objective Design Standards project, and forego the streamlined alternative and prescribed design features of the Standards. As another example, some of architect Jeff Shelton's forthcoming designs may not conform to adopted Objective Design Standards; now there would be flexibility for the designer and property owner.

4. Policy 2.4: "Pursue partnership opportunities to develop affordable housing on City-owned sites.' As we have stated in more than one letter, City-owned property, if considered for housing, should only be for price-restricted or deed-restricted Affordable housing – with no market-rate housing. Consider these sites as land banking for possible Affordable housing.

The Housing Authority project at the Carrillo/Castillo parking lot has been presented as having a large majority of Moderate Income Affordable housing (our understanding is housing above Low Income makes it ineligible to use federal tax credit program(s). There is a yet unknown (to the public) percentage of Above Moderate housing, with those rents price-restricted at below market rate. All housing in the project will be price-restricted. We look forward to more information as this project proceeds.

5. Policy 2.1: "Prioritize production of deed-restricted affordable housing and community benefit land uses over all other land uses and housing types." As written, this seems to also prioritize non-residential community benefit projects. Is this what is intended? Does this fit within Goal 2, which only talks about housing?

Community benefit housing. Currently, rental projects are community benefit housing (just because they are housing, no matter how expensive the rents). As Ms. Brooke stated earlier this year, previously it had been decades since construction of rental units – but now, this is not the case. It seemed to be left open, that maybe we need to revisit this. Yes, we need to revisit this topic and have that discussion - whether market-rate rental projects should receive the perks of community benefit housing projects. Goal 2 is about prioritizing Affordable housing.

6. HE-15: Short-Term Vacation Rental/Hotel Ordinance. *"The City will monitor the proliferation of legal and non-legal short term vacation rentals and fractional ownership projects in residential zones and will review zone districts that allow both hotel and residential use. The City will amend the Zoning Ordinance to further regulate legal short term vacation rentals and to rezone some areas of the City that allow both residential and hotel use, with the aim of increasing multi-unit residential development, reducing conversion of residential uses to hotel uses, reducing the development of new hotels, and incentivizing residential development over hotel development."* ***We strongly agree with this statement.***

Looking at these zoning changes is an additional tool in the toolbox. There is a large percentage of high- and highest-density housing zoning that is also zoned for hotels. We need to have a discussion about cutting back some hotel zoning in some Title 30 Inland areas (non-Coastal Zone).

There were two Council hearings last month on an Interim Urgency Hotel Ordinance. In staff materials for both hearings, it said development of new hotel rooms can frustrate the approved Housing Element Goals in several ways. Our comment letters included that hotel development competes with housing where zoning is for both. Average room rates are higher than pre-pandemic, as reported by the Finance Department monthly TOT reports. Information released the last full week of May 2022 stated *"…daily hotel rates are 51% higher than April 2019…"* (pre-pandemic). Economics for hotels look attractive!

Our current 2015 Housing Element (pg. 53) identified Short-Term Vacation Rentals in the Housing Challenges section.

7. HE-7: Affordable Housing Overlay. We are interested in learning more about the concept of an Affordable Housing Overlay.

The second paragraph reads mainly like a list of ideas. *"The AH Overlay incentives would be applicable for projects that substantially exceed the percentage of affordable units that would otherwise be required under inclusionary housing or local and state density bonus programs. AH Overlay projects will be provided incentives such as higher density, increased allowable height, lower parking requirements, by-right approval, objective design standards, streamlined permitting, deferral or reduction of permit fees, etc."*

Substantially is a very subjective term and will need to be discussed and defined. The above "provided incentives" read like a list of ideas which need further development of concept specifics, discussion, considered together – and our normal public ordinance process. We are concerned that "provided incentives" expressed here are <u>not considered commitments by HCD at this time</u>.

Thank you for consideration of our comments.

Sincerely,
Allied Neighborhoods Association

Cc: Allison DeBusk
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