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August 2, 2021

To: City of Santa Barbara Planning Commission

Re: Update on Economic Feasibility Study for Proposed Multi-Unit Housing Development Standards (August 5, 2021 Agenda Item IV)

Chair Schwartz and Planning Commissioners,

Allied Neighborhoods Association appreciates the opportunity to provide comments. We have been involved with the current multi-unit development standards program, Average Unit-Size Density Program (AUD), since before its adoption.

1. A huge economic driver of our City economy is tourism. The charm of our downtown is a big attraction for tourists and a source of pride for our residents.

The visual charm of downtown includes its variation of building heights, our historic resources and the El Pueblo Viejo district, our history and architecture, and its sense of place between the mountains and the ocean. The challenge seems to be to find an appropriate balance of priorities – that includes housing downtown, building heights that will enhance the area but not overwhelm, and retaining the charm that attracts both tourists and locals.

2. As we expressed to Council in June – *"In the City of Santa Barbara, we have a housing **affordability crisis**. We think it's important to identify our biggest housing issue – the extremely high cost of housing.*

It seems that with each new market-rate rental project offered for rent, apartment rents go up and up. For example, the recently completed rental project at 414 Chapala is advertising 2-bedroom, 2-bath apartments at $5,300 - $5,600 per month!"

3. Development Impact Fees. Developing in the City of Santa Barbara has a leg up - as generally we do not have Development Impact Fees (DIFs). We are the only jurisdiction on the South Coast without these fees.

August 9, 2016 City Council took up the topic of Development Impact Fees. The Council Agenda Report, pg. 3, includes a chart of DIFs in

the other South Coast jurisdictions (County of Santa Barbara, City of Goleta, and City of Carpinteria) for two hypothetical projects. These fees can be substantial.

Pg.1 *"In California, the types of facilities that are eligible for impact fees include affordable housing, roads, water, sewer, storm water, parks, fire, police, library, solid waste, and schools."* To the surprise of many at that Council meeting, Development Impact Fees can also be for affordable housing. The 2017 Keyser Marston Nexus and Economic Study discusses that new market rate housing creates a need for additional service workers who need lower cost housing, creating a need for more lower cost housing.

Pg.3 *"Under discussion of impediments to construction of affordable housing, the City's Housing Element states the following: The City of Santa Barbara is somewhat unusual in that there are no other programmatic impact fees or exactions that are charged to all new residential projects…. The City does not currently impose any additional schools, parks or other fees, exactions or assessments on new residential projects."*

4. Inclusionary Units for Rental Projects. It is particularly important that our Inclusionary Program for rental projects be/stay targeted to our "missing middle" (Moderate Income category, 81 – 120% AMI). This is the category of housing we have been most deficient in producing (only 4 units), as shown on the recent RHNA chart for our current Housing Element planning period 2015 – 2023. We have a great need and pent up demand for Affordable Moderate Income rental housing. Additionally, federal tax credit programs to help build Affordable housing target low and very low income categories, not the Moderate Income category.

We hear pressure from the development community and others to change the income category for rental Inclusionary to higher income categories (and may refer to Inclusionary for ownership projects) – but such a change would not be a good idea. Many workers who make our local economy run need Affordable Moderate Income rental housing.

The good news is the Rental Inclusionary Program is working! Renee Brooke stated a few months ago that 20 to 30 Moderate Income Inclusionary units are now in the pipeline from new projects. (Please note, although this Inclusionary was adopted in 2019 it did not apply to any project already in process deemed complete – thus a lag in time to see results, as it basically only applied to new project submittals.)

5. RHNA. City Council had a RHNA update in April.

Regarding zoning capacity we'll be planning for, we learned conservative estimates were used in our current Housing Element (HE) due to uncertainty of AUD (it's expiration during this Cycle 5 HE); an example used was 63 units per acre areas estimated at 30. And, since the 2015 HE was adopted, the City has provided significant new zoning capacity (changes to AUD, and changes resulting from ADU state laws). It was stated, we expect we have sufficient capacity now for Cycle 6, 2023 – 2031. City staff stated at Citizens Planning Association's May meeting on RHNA, that we have zoning capacity to meet the upcoming capacity requirements (Cycle 6).

We wanted to present this information as context for the discussion on new housing.

6. Inclusion of All Square Footage. We appreciate that the new multi-unit housing program being considered will account for all square footage – including commercial space, project amenities, and other enclosed (above ground) areas such as parking. Neither the current AUD Program nor previous mixed use/housing projects under Variable Density accounted for all square footage. This was a major flaw in each approach as the entire building mass was not taken into account.

7. Historic Resources/General Plan Program Environmental Impact Report. It's important to remember the amount of housing contemplated in the 2011 General Plan resulted in significant impact to historic resources, requiring mitigation to reduce to less than significant.

(CAR, Attachment 5, pg.1, October 22, 2020) General Plan Program EIR - develop FARs with particular attention to protecting historic resources. And importantly, *"Establish more restrictive FAR limits to protect historic structures…"*

The housing contemplated in the 2011 General Plan did not include the new State ADU mandates (which is a substantial increase in new housing capacity), the additional increased densities in the Central Business District (CBD) "doughnut hole", and currently contemplated increased densities with new multi-unit housing development standards. As Renee Brooke has been advising Council and the Commission, we need to review our General Plan Program EIR. This is listed as #9 on the Planning Division – Major Work Efforts Chart, as Update to General Plan EIR Studies and Specific Issue Areas. (From May 13, 2021 PC staff report)

8. Historic Resources/FAR for Santa Barbara.

Our historic resources are of great importance to Allied, and other community groups and residents - our downtown, and local economy.

FAR was brought forward by staff in response to the public workshops in 2019; the takeaway from the workshops was increased density could be supported with proviso to find a way to protect historic resources. In November 2019 staff presented EIR Mitigation Vis 2 Community Character – Floor Area Ratios. From EIR Mitigation Vis 2: *"Develop FARs with attention to protect historic resources, maintaining Santa Barbara's small town character, and encourage small, affordable units."*

As the multi-use housing standards are developed, we look forward to program specifics for protection of historic resources.

(Important to note - since the 2019 workshops, Council in 2020 approved AUD Downtown-Focused amendments. In the CBD these amendments eliminated any parking requirement for housing, increased height, and increased density in the CBD "doughnut hole". A lot has happened already.)

9. Floor-to-Lot Area Ratio (FAR). FAR as a number can be very deceptive. At the 3/30 Council meeting, staff mentioned the proposed 4-story AUD project at 711 N. Milpas

has an FAR of 1.6. Many members of the community were shocked, as the building in plan renderings appears much larger.

414 Chapala is 4 stories with an FAR of 2.448. 825 De La Vina is 4 stories with an FAR of 2.368. When the community workshop FAR map was being sent to the consultant (with FAR downtown at 3.0), there were at least 2 Council members who strongly lobbied for FAR 4.0 downtown. FAR 4.0 in the downtown corridor could be HUGE!

The online community workshop had two building examples for each FAR category. These buildings were often shown as isolated examples, not in the context of large buildings one next to another, next to another…. When considering FAR numbers, it is important to visualize building after building, and the resulting streetscape. It's not about one or two larger building among many smaller buildings – as the FAR map areas are large sweeping areas where each property owner can potentially max out their property.

The PC staff report (pg. 1) states, provide ***sensitivity*** to the City's historic resources. (emphasis added) We see, ***protect*** historic resources, (in EIR Mitigation Vis 2 Community Character – Floor Area Ratio, from the 2019 public workshops, and in previous staff PowerPoints) is now presented as ***sensitivity*** to historic resources.

Protect is stronger than ***sensitivity*** and we are concerned that the language is now watered down. Words matter. We should be able to have housing downtown and have adequate policies for our historic resources.

10. Land costs. Land costs go up as development potential increases. We experienced increases in land costs from the AUD Program, especially in the highest density areas allowing up to 63 units per acre.

The Downtown-Focused AUD amendments, adopted August last year, was a group of additional development incentives. The main incentives are: no required resident parking in the CBD, additional height, and increase in densities up to 63 units per acre in the "doughnut hole". We expect this group of development incentives has resulted in increased land prices once again downtown.

11. Construction material costs. Some material costs are experiencing very noticeable rises in pricing. For example, lumber due to some mills only recently reopening after a pandemic shutdown. (Also, steel prices.) Many price increases are due to supply chain disruption from the pandemic.

We ask the consultants to carefully consider material costs – and which current material cost increases may be peak prices, after which, when the supply chain gets back to a more normal situation, prices should settle back down. Material costs should not be based on peak prices.

12. The design review process has been streamlined by the State. SB 330 has a five-meeting limit provision after a complete Preliminary Application is received.

13. Community Benefit Housing (building height)

From our June 28, 2020 letter to Ordinance Committee: *"Reviewing the applicable ordinances, it's a shame and missed opportunity that additional true affordable, price-restricted housing is NOT a requirement for obtaining an approval for additional height for market rate rental housing under Community Benefit Housing; the only price-restricted housing required is our standard 10% Inclusionary. For market-rate rentals, neither development standards nor PC Findings require a public benefit of additional Affordable housing."*

14. Possible Incentives for Ownership Residential Units, under consideration. From our October 19, 2020 letter to the joint Council and Planning Commission work session:

"Incentives for development of ownership units could lead to potential unintended consequences to development of much needed rental housing, for the 60% of our residents that are renters.

Market rate ownership/condo units were specifically not allowed in Priority Overlay in order to incentivize production of rental units, which hadn't been built in decades. Currently, ownership units can be built in both Medium High and High Density AUD zones.

Ownership units are probably more profitable, as their sales price can be maxed out with very high-end finishes and project amenities. And, as ownership units are individual fee title and sold separately, the project developer can get their investment back in a relatively short period of time, which can be very attractive. With market rate housing, market forces are always at play."

If condo densities are similar to rental densities, we will be getting mostly condos – while the majority of our residents are renters. Priority Overlay was specifically not for condo development for a reason.

15. Objective Design Standards. We have concern about the new City work effort for objective design standards for non-SB 35 multi-unit housing projects - which generally will be all multi-unit housing projects (as the City has yet to receive an application for a SB 35 project, but developed objective design standards for them, to be ready just in case).

Our current design review process results in projects that are considerably better than the initial design. It's not uncommon for an architect to comment that their project is much improved from the process.

Our buildings will be around for generations. Don't sacrifice excellence in design for expediency. And, *"… ensuring that Santa Barbara continues to see high-quality projects with attention to aesthetics."* (quote from staff report, pg. 5)

16. Rental Rates. In our May 3, 2021 letter to Planning Commission we expressed our disappointment that actual AUD rental rates were last presented to the Commission October 2019. Section 11 of our letter included advertised rental rates from Zillow,

Apartments.com and Craigslist for recent AUD projects Sept. 2020 thru April 2021. Today, three months later, still NO rental rates have been presented by staff to the Planning Commission or City Council since 2019.

With each new multi-unit housing project, rents seem to increase. (Rents in no way resemble projected rents discussed by development professionals during the charette leading up to the adoption of our current multi-unit housing standards. Even rents on the first new major rental project on Upper State, built years ago, were substantially higher than discussed). Rents for new apartments are sky high - and property owners of existing apartments see opportunity to increase their rents because of high rents charged for new AUD apartments.

Below are apartments we've seen advertised since our May 2021 letter.

5/21/21 – Zillow. 835 E. Canon Perdido (Plaza Riveria) 2/2 (#211) 865 sq. ft. $3,495/mo.

5/25/21 – Craigslist. 414 Chapala, 2/2, 1,296 sf., 3rd floor. $5,500/mo. townhouse apt.

5/27/21 – Zillow. 414 Chapala, 1/1, 655 sf. $2,900 – 3,600 14 units, available June 6
Zillow. 414 Chapala, 2/2, 1,123 sf. $5,300 – 5,600 4 units, available June 6

5/29/21 – Zillow. 112 E. Ortega #214 (Casa Anatega) 1/1.5, 870 sf. townhouse apt., $4,150/mo.

5/29/21 – Zillow. 920 Lowena, 1/1, 712 sf, $3,350/mo.

7/8/21 – Craigslist. 112 E. Ortega #310 (Casa Anatega) 2/1, 872 sf. top floor, corner $4,200/mo.

7/29/21 - Zillow. 414 Chapala 1/1, 670 sf. Units 203 and 309. $3,200-$3,300/mo.

7/29/21 - Zillow. 835 E. Canon Perdido (Plaza Riveria) studio, 477 sf, $2,245/mo. (currently unavailable)

We appreciate your consideration of our comments and information.

We request that Planning staff please forward this letter to the appropriate individuals at the two consultant firms. Thank you.

Sincerely,

Allied Neighborhoods Association

Cc: Daniel Gullett, Jessica Metzger, Renee Brooke, Mayor Murillo and City Council, Elias Isaacson, Rebecca Bjork, Ariel Calonne, Paul Casey