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October 5, 2021

To: Planning Commission

Re: Multi-Unit Housing Economic Feasibility Analysis and Related Draft Floor-to-Lot Area Ratio Map (October 7, 2021, Agenda item number III)

Dear Chair Schwartz and Planning Commissioners:

Allied Neighborhoods Association has been engaged in the AUD Program from the beginning. Most recently, we provided written comment on the Update on Economic Feasibility Study for Proposed Multi-Unit Housing Development Standards (August 5, 2021) and before that, on the Downtown-Focused Amendments.

Below please find comments on topic areas related to the Staff Report, the Economic Feasibility Study and the Draft Floor-to-Lot Area Ratio Map.

1. Lack of Information/Diagrams

It appears that the BAE Economic Feasibility Analysis for the City of Santa Barbara is incomplete as there are no illustrations, only blank pages for the 12 prototype diagrams. Based on Next Steps (pg. 4 of 80), this public hearing at the Commission is the only hearing before Staff returns with Zoning Ordinance amendments, etc. - yet the public has not been provided the protype diagrams for review in advance for adequate time to provide comment by the PC comment deadline of Tuesday afternoon. <u>The public relies on a complete report in advance, to review and provide comment.</u>

A 2nd hearing in October seems to be needed so the public and Planning Commission has complete information in advance (and other information we will discuss in this letter).

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

(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 bring a substantial increase in new housing capacity), the additional increased densities in the Central Business District (CBD) "doughnut hole", recently signed SB 9 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).

3. 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."*

4. Historic Resources – MORE

Excerpts from the agenda materials:

Staff Report, starting at the bottom of page 1, *"The maximum allowable FAR would vary based on location within the city, with consideration of the City's historic resources and neighborhoods."*

Page 15 of 80, *"The intent of the revised building size standards is to encourage compatibility in building size, protect the City's historic resources, clarify community expectations, and expand opportunities for additional, smaller housing units."*

We appreciate the treatment of the Brinkerhoff Historic District and the proposed historic districts in the Draft Floor-to-Lot Area Ratio (FAR) Map area.

Historic resources are not just historic districts but include our Landmarks and Structures of Merit. What's missing in the materials is acknowledgement of our Landmarks and Structures of Merit and how those resources will be handled.

As the Multi-Unit Housing Standards are developed, we look forward to more program specifics for protection of historic resources. To adequately understand our historic resources in the Draft FAR Map area, we suggest that Nicole Hernandez, the City Architectural Historian, provide the approximate number of Landmarks and the approximate number of Structures of Merit within the Draft FAR Map area. All these historic resources are already mapped on the City's Historic Preservation webpage. It would also be very helpful if Ms. Hernandez could provide a map of

the historic resources which corresponds to the Draft FAR Map area. It is important to understand the extent of historic resources within the Draft FAR Map area.

We would suggest a 2nd meeting in October to provide this historic resources information plus the missing 12 prototype diagrams, in advance, to further the discussion of a FAR Program. That would also allow staff time to provide specifics for protection of these additional historic resources.

5. Monthly Asking Rents

Allied has been providing advertised AUD monthly rental rates to Planning Commission, City Council, and City Staff during 2021. (Please see Appendix A.) The Graph in the agenda materials (Figure 1, pg. 20 of 80), does not seem to be lining up with the information we have been getting from online rental platforms. (The underlying raw data for the Graph has not been provided to understand what appears to be a big discrepancy). Based on the Graph timeframe presented, it appears that the recent, probably most expensive downtown AUD apartments at 414 Chapala may not be included; generally, rents for a 2-bedroom are $5,300-$5,600 per month.

Rental rates last presented by City Staff (10/10/19 Planning Commission Staff Report, pg. 9, included as Appendix B) show 4 AUD projects with each project broken down by studio, 1-bedroom, 2-bedroom and 3-bedroom rates. Rental rate information broken down by project and bedroom categories is very useful; the Graph is not particularly useful.

With a focus on new rental housing downtown, the reality of downtown specific rents for new rental units is buried in the sweeping averages, which don't pick up the higher rents in CBD.

In both our May 2021 letter and August 2021 letter, we requested from City Staff more current information than October 2019 and it has not been forthcoming. AUD projects require annual rent reporting (see Appendix C for reporting Survey form).

6. Condos

With the Multi-Unit Housing Standards, we have to make sure that the scales are not tipped to incentivize condos over rental housing. Around 60% of our residents are renters and for the first time in decades, apartments are being built by the private sector.

7. Additional FAR as an Incentive

If a FAR for rentals is increased by 20% as an incentive, we would only get an additional 5 to 10% inclusionary. It's important to remember 10% inclusionary is already required.

This would mean that in Tier 3 the 58.5 foot high, 5-story building, would have only an additional 5-10% inclusionary. In Tier 3 with the highest base level of FAR 3.0, 20% extra FAR equals a FAR 3.6. Rob Fredericks of the Housing Authority said in previous hearings that FAR 3.0 downtown is just too big.

8. Look at actual FARs.

The recently completed rental project in the CBD at 414 Chapala has a FAR of 2.448. The proposed project at 701/711 N. Milpas has a FAR of 1.631. The approved project at 825 De La Vina has a FAR of 2.368. The 5-story Lobero Building has a FAR of 2.5. A FAR of 3.0 is going to be very large, not to mention a possible bonus FAR project at FAR 3.6!

The online community workshop had two building examples for each FAR category. These buildings are often shown as isolated examples, not in the context of larger 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 buildings among more smaller buildings – as the FAR map areas are large sweeping areas where each property owner can potentially max out their property.

9. Map of Actual Buildings/FAR:

From the City Website:

https://santabarbara.maps.arcgis.com/apps/webappviewer/index.html?id=aa3293b031b14b699da131321b642fb9

10. Recently Advertised AUD Rental Rates:

In addition to previously mentioned rental rates that Allied has provided to the City in Appendix A, below are even more recent advertised rental rates.

Listing Date	Source	Address	Unit size	Square Footage	Rent
9/2/21	Craigslist	920 Lowena (processed as 915 E. Anapamu)	2/2.5	1,265	$4,800
9/2/21	Craigslist	920 Lowena #7	2/2	1082	$4,300
9/2/21	Craigslist	920 Lowena (processed as 915 E. Anapamu)	1/1	712	$3,350
9/9/21	Zillow	112 E. Ortega #214 (Casa Anatega) Townhouse, Furnished	1/1.5	875	$4,795
9/9/21	Zillow	835 E. Canon Perdido (Plaza Riviera)	Studio	477	$2,347
9/9/21	Zillow	835 E. Canon Perdido (Plaza Riviera)	Studio	492	$2,407
9/9/21	Zillow	835 E. Canon Perdido (Plaza Riviera)	Studio	713	$2,607
9/9/21	Zillow	835 E. Canon Perdido (Plaza Riviera)	2/2	865	$3,467
9/9/21	Zillow	835 E. Canon Perdido (Plaza Riviera)	2/2	863	$3,945

11. Rental Inclusionary/Moderate Income Category

We strongly agree with the goal (pg. 2 of 80) given to the consultants that Rental Inclusionary units be the Moderate Income category. It is particularly important that rental Inclusionary targets our "missing middle". 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, and are not for the Moderate Income category.

We hear pressure to change the income category for rental Inclusionary to higher income categories (and may refer to Inclusionary for ownership projects). Such a change would not be a good idea. Many workers (only earning around AMI) who make our local economy run need Affordable Moderate Income rental housing.

<u>The good news is the Rental Inclusionary Program is working!</u> The Staff Report says 30 Moderate Income Inclusionary units are now in the pipeline from new projects. (Please note, although this Inclusionary was adopted in the 2nd half of 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.)

12. Market-Rate Residential Rents

From Appendix C: Key Pro-Forma Assumptions (pg. 56 of 80), *"This analysis assumes that rental rates for market-rate units will be comparable to the current rental rates for recently-constructed multifamily rental developments in the Project Area. The analysis assumes that market-rate rents for these prototypes will average per $2,800 month for studio units, $3,000 per month for one-bedroom units, and $3,400 per month for two-bedroom units."*

If the above pro-forma assumption of $3,400 per month for 2-bedroom units is used in the CBD, that would be below market based on advertised rents in 2021. This would understate rents in proformas used in the CBD. From advertised rents we collected and provided, we generally see higher 2-bedroom AUD apartment rents, especially downtown.

Date	Address	Unit Size	Rent
4/29/21	226 E. De La Guerra	2/1	$3,995
Early 4/2021	226 E. De La Guerra	2/1	$4,275
7/8/21	112 E. Ortega (#310)	2/1	$4,200
4/7/21	112 E. Ortega (#214)	1/1.5	$4,410
9/30/2020	Arlington Village (Typical)	2	$3,887
9/30/2020	Arlington Village (Premium)	1 & 2 Bedroom	$6,250
5/27/21	414 Chapala	2/2	$5,300-$5,600
9/2/21	920 Lowena	2/2.5	$4,800
9/2/21	920 Lowena (#7)	2/2	$4,300
4/30/21	920 Lowena (#21)	2/2	$4,350
9/9/21	835 E. Canon Perdido	2/2	$3,467
9/9/21	835 E. Canon Perdido	2/2	$3,945

In closing, 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.

We need to be very careful with incentives, especially downtown, as larger buildings downtown potentially dwarf smaller buildings and historic resources, and affect the unique architectural quality and charm of Santa Barbara.

Thank you for consideration of our comments.

Sincerely,

Allied Neighborhoods Association

Attachments: Appendix A
Appendix B
Appendix C

CC: Daniel Gullett
Jessica Metzger
Nicole Hernandez
Renee Brooke
Elias Isaacson
Mayor and City Council
Ariel Calonne
Rebecca Bjork

APPENDIX A

Advertised AUD Rental Rates provided by Allied to the City:

1. From May 3, 2021 Allied Letter

The 10/10/19 PC AUD Staff Report included 604 East Cota, the Marc, 316 W. Micheltorena, Arlington Village, and City-Wide Median information (2019).

Examples of more recent advertised apartment rental rates in AUD projects include:

Date	Source	Address	Unit size	Square Footage	Rent
4/30/21	Zillow	920 Lowena, #21 (Processed as 915 E. Anapamu)	2/2	1,092	$4,350
4/29/21	Apartments.com	226 E. De La Guerra (Maylee Plaza)	2/1	770	$3,995
4/29/21	Apartments.com	226 E. De La Guerra (Maylee Plaza)	1/1	600	$2,745-$2,945
Early 4/21	Apartments.com	226 E. De La Guerra (Maylee Plaza)	2/1	775	$4,275
4/7/21	Craigslist	112 E. Ortega #214 (Casa Anatega)	1/1.5 Loft		$4,140
Early 4/21	Craigslist	835 E. Canon Perdido, #110 (Plaza Riviera)			$2,345
9/3/20	Apartments.com	Arlington Village	2 bd, Typical		$3,887
9/3/20	Apartments.com	Arlington Village	2 bd Premium		$6,250
9/3/20	Apartments.com	Arlington Village	1 bd Premium		$6,250

2. From August 2, 2021 Allied Letter

Below are apartments we've seen advertised since our May 3, 2021 letter. (Note, all apartments below are in the downtown area, except Lowena - project located above Milpas Street near County Bowl, processed as 915 E. Anapamu - and Plaza Riviera, 835 E. Canon Perdido).

Date	Source	Address	Unit size	Square Footage	Rent
5/21/21	Zillow	835 E. Canon Perdido #211 (Plaza Rivieria)	2/2	865	$3,495
5/25/21	Craigslist	414 Chapala Street, 3rd floor	2/2	1,296	$5,500
5/27/21	Zillow	414 Chapala Street	1/1	655	$2,900-$3,600
5/27/21	Zillow	414 Chapala Street	2/2	1,123	$5,300 - $5,600
5/29/21	Zillow	112 E. Ortega Street, #214 (Casa Anatega)	1/1.5	870	$4,150
5/29/21	Zillow	920 Lowena	1/1	712	$3,350
7/8/21	Craigslist	112 E. Ortega St, #310 (Casa Anatega), Top Floor, Corner	2/1	872	$4,200
7/29/21	Zillow	414 Chapala Street, Units #203 and #309	1/1	670	$3,200 - $3,300
7/29/21	Zillow	835 E. Canon Perdido (Plaza Riviera) (currently unavailable)	Studio	477	$2,245

Appendix B

Rental Rates from City Rent Survey (10/10/19 Planning Commission Staff Report, pg. 9)

*"**2. Rental Prices***
One of the AUD Program goals was to expand housing opportunities for middle to upper middle income households by incentivizing construction of smaller market-rate rental units with higher densities. New unsubsidized rental housing projects had not been built for several decades before the AUD Program. Although the AUD Program has increased housing supply, the below data shows that rental rates of the newly constructed AUD Program projects are only affordable to households that earn approximately 160 percent to 190 percent of the Area Median Income (AMI)[5] . Which means that these units are affordable to Middle Income (120 percent to 160 percent of AMI) to Upper Middle Income (160 percent to 200 percent of AMI), but not Moderate Income (80 to 120 percent of AMI) households. These higher rental rates are likely due to the new construction with contemporary finishes and many shared amenities.

The Housing and Human Services Division of the Community Development Department conducts a yearly rental survey of the area by housing type. The survey provides a sense of the local private rental housing market and is shown in the first column below. The remaining four columns include rental data from completed AUD Program projects, collected from the property owner/rental agency and had a survey return rate of 100% for each project."

	City-Wide Median (2019)	**The Marc**	**604 East Cota**	**Arlington Village**	**316 West Micheltorena**
Studio	$1,540	n/a	$1,744	$2,507	n/a
1-Bedroom	$1,875	$2,944	$2,475	$2,554	$2,540
2-Bedroom	$2,685	$3,423	$3,070	$3,408	$2,944
3-Bedroom	$4,698	$4,706	n/a	$4,357	n/a

5 Current AMI is $79,300 (Family of Four)
6 Arlington Village rents received from CoStar

APPENDIX C

City of Santa Barbara

AVERAGE UNIT-SIZE DENSITY INCENTIVE PROGRAM SURVEY

STREET ADDRESS: _____ UNIT: _____

REPORTING PERIOD: _____

SURVEY DUE DATE: _____ DATE SURVEY COMPLETED: _____

NOTE: A separate form is required for each residential unit.

OWNER SURVEY

(1) What is the housing unit's net floor area? (square feet) ..... _____

(2) How many bedrooms are in this housing unit? ..... _____

(3) What is the monthly rent (or purchase price) of this housing unit? ..... _____

(4) Have there been any periods of vacancy during this reporting period? ..... _____

a. If so, what is the total length of vacancy? (weeks) ..... _____

CURRENT RESIDENT SURVEY

(1) What is the total monthly utility (natural gas, water and electricity) cost spent by current residents in the housing unit? ..... _____

(2) How many residents currently live in the housing unit? ..... _____

(3) For each adult resident (18 years and older) in the housing unit, provide the following:

CURRENT RESIDENT	ZIP CODE OF CURRENT EMPLOYMENT LOCATION	ZIP CODE OF EMPLOYMENT LOCATION WHILE AT PREVIOUS RESIDENCE	ZIP CODE OF PREVIOUS RESIDENCE LOCATION
1			
2			
3			
4			
5			

CURRENT RESIDENT SURVEY CONTINUED

(4) In total, do the current residents in the housing unit own more than one vehicle? ..... _____

a. If so, how many vehicles are owned by current residents in the housing unit? .. _____

(5) In total, how many bicycles are owned by current residents in the housing unit? ..... _____

(6) Do current residents in the housing unit use the following types of transportation? (check all that apply)

☐ Bicycling ☐ Bus/Transit ☐ Walking

a. If so, how many current residents use the types of transportation listed above?_____

In case we have any questions about the survey answers, please provide the name and contact information for the person(s) who completed the survey. Thank you.

_____ _____

Printed Name (Tel./Email)