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December 10, 2023

To: City Council

Re: Adoption of 2023-2031 Housing Element [Resolution]
(December 12, 2023 Agenda, Item 30)

Mayor Rowse and Council Members:

Allied Neighborhoods Association appreciates the opportunity to provide comments on the Housing Element.

As an overarching comment, there are some last minute substantive changes that occurred in the Adoption Draft that have us concerned that necessary changes will not be happening in this 6th Cycle Housing Element to focus on the housing we need. Prior to these new substantive changes, we were fairly optimistic.

Last minute changes in the Adoption Draft we'll discuss include:

- change in workforce/workforce housing definition
- change in Policy 2.2
- new Policy 2.6

1. "**Workforce" definition has been drastically changed in the Adoption Draft (AD).** The definition of workforce for the past 14 months had been exactly the same. Then, at basically the 11th hour in this Housing Element process, staff presented a very different definition (which has substantive implications, especially in Section 5 – Housing Programs).

Chronological History. Reviewing the four versions of the Housing Element (up through the Adoption Draft), here's what has happened: (Note, definitions are located in the Glossary).

a. **Public Review Draft, 7/5/22** – no Glossary. (This is the only previous Housing Element document with a Council hearing.)

b. **HCD Draft, 8/18/22, includes a Glossary**. (HCD track changes document, pg. viii) "Workforce" is in the "Affordable Housing" definition. (Note: new text since the immediate previous version, is always indicated by underlining in track changes version)

HCD Draft said*: "City of Santa Barbara Definitions (Inclusionary Housing Ordinance, Santa Barbara Municipal Code Title 30, Chapter 30.160):*

• Middle-Income: 120 percent to 160 percent of AMI.
• Upper-Middle Income: 160 percent to 200 percent of AMI.
• Workforce: 30 percent to 160 percent AMI (Very Low Income to Middle Income) (for the purpose of this Housing Element and as stated in Goal 2) (emphasis added)

Very important. The above definition of "Workforce" has been in the Glossary since 8/18/22.

c. **Revised Draft, 4/10/23**. Definition of "Workforce" is exactly the same as the 8/18/22 HCD Draft above.

d. **Adoption Draft, 10/20/23**, (track changes document, pg. vi)

This very late, new, substitute text below is a major departure from the definition all during the Housing Element process. Workforce Housing definition now is only highest income households (120% – 200% AMI).

Adoption Draft says: "*Workforce Housing: Although not specifically defined in the Zoning Ordinance, the term "workforce housing" is typically used to refer to units for households that are overqualified for subsidized affordable housing (very low-, low-, and moderate-income), yet cannot afford the average market-rate housing. The General Plan "Definitions" chapter describes "work force" under the "Affordable housing" definition as middle- and upper-middle income households earning up to 200 percent of AMI.*.

Important to remember, prior to October 20, 2023, Workforce was *"30 percent to 160 percent AMI (Very Low-income to Middle Income) (for the purpose of this Housing Element and as stated in Goal 2)"*

2. **Encouraging Workforce Housing** (AUD Progress Report) A 10-year look back.

"Analyzing the AUD Program's success in encouraging workforce housing is complicated by a lack of agreed-upon definitions and measurable outcomes" (pg. 59 of 109).

"Although the term "workforce housing" was never clearly defined, it is used by the Planning Division to mean households in the region's middle- and upper-middle-income categories. Yet, there is no community consensus on this definition nor is it aligned with how other organizations define the term (i.e., Housing Authority)." (pg. 59 of 109)

"Although never defined in the General Plan or Zoning Ordinance, the Planning Division produced several AUD update reports in which the term "workforce housing" was defined as including households in the region's middle- and upper-middle-income categories. However, there has yet to be a consensus on this definition, with many housing and land use experts also including households earning the area median income (AMI) in the moderate-income category in the description of workforce housing." (pg. 46 of 109)

3 **Explanation of New Definition of Workforce Housing.** At the 11/16/23 Planning Commission hearing on the Adoption Draft, Ms. DeBusk stated the new workforce housing definition comes from the General Plan. What's a person to think when the AUD Progress Report states that workforce housing is not defined in the General Plan?

4. **What does the 2011 General Plan say?** (Definitions, pg. 1)

"Affordable housing – A residential unit that is price-restricted or controlled to be affordable to households with low and moderate income. By State Housing & Community Development (HCD) definition, those include households with an income less than or equal to 120 percent of the area median income. The City recognizes the need for affordable housing for household income groups earning up to 200 percent of the area median income, which include middle and upper middle income households, sometimes referred to as the "work force". The residents in these income categories should not be required to pay more than 30 percent of their gross monthly income on rent or more than 35 percent on house payments."

5. **What does the AUD Progress Report say?** (pg. 46)

"…, a two-bedroom AUD unit is attainable to middle-and upper-middle income workforce households in Santa Barbara based on monthly rent as a percent (30%) of their annual income ($4,292 to $5,365, respectively)."

6**. Conclusion. The new definition of Workforce Housing first used in the Adoption Draft (e.g., only the highest earning households)**, and in the December 12, 2023 Housing Element 6th Cycle included in the Council Resolution) **is out-of-step with the realities of today's rental market and the housing we need** – and the needs of so many of our local workers that our economy depends on.

Recommendation. Workforce Housing needs to be revised. At a minimum, **to include Moderate Income** (80%-120% AMI), and to **delete Upper Middle Income** (160-200% AMI)

7. **Cycle 5 RHNA numbers, the report card on how we did** (AD, pg. xiii).

Very Low Income – only produced 12.5% of allocation.
Low Income – only produced 16% of allocation
Moderate Income - only produced 1.5% of allocation
Above Moderate Income – produced 97.5% of allocation

8. **Our new Housing Element is supposed to be our *new* plan for the housing we need.** Unfortunately, because of last minute substantive changes and change in direction to emphasize high income households, it's now tilted to producing results similar to our previous Cycle 5 RHNA. In addition, in the Quantified Objectives (which we talked about in detail in our 11/13/23 letter you received), staff estimates that once again we'll produce mostly Above Moderate housing. Above Moderate housing is estimated to be **72% of new housing** (Table 49, AD track changes, pg. 117).

With almost ¾ of our new housing for the highest income households - this is not the housing we need, and we can't afford to lose another 7 or 8 years mostly producing housing for the highest income earners in Santa Barbara or those who move here from other locations nationally or internationally).

9. **Goal 2 – Prioritize Affordable Housing.**

In Policy 2.2. Increase Production of Affordable Housing. Until the Adoption Draft, the language since the very 1st version of the Housing Element (Public Review Draft, 7/5/22) said: *"Encourage and provide development opportunities and incentives to increase production of affordable housing for special needs and extremely low-, low-, very-low, and moderate-income households."*

In the Adoption Draft (track changes document, pg. 153), the language has been changed to read: *"Encourage and provide development opportunities and incentives to increase production of affordable housing."*

Deleted is: *"for special needs and extremely low-, low-, very-low, and moderate-income households."* This language has been in the Housing Element since the 1st version, the Public Review Draft, 7/5/22. The way the language has been changed, unfortunately, seems to open the door to new Policy 2.6 below by providing consistency.

10. **Goal 2 – Prioritize Affordable Housing. New policy, Policy 2.6, was added in the Adoption Draft.** (track changes document, pg.136) This was not part of the Housing Element during the past 17 months.

This last minute new policy says: "Policy 2.6: *Incentives for Middle- and Upper-Middle Income Housing. Develop incentives to facilitate the production of deed-restricted housing affordable for a broader range of household incomes."*

As the AUD Progress report stated, *"…, a two-bedroom AUD unit is attainable to middle- and upper-middle income workforce households in Santa Barbara based on monthly rent as a percent (30%) of their annual income ($4,292 to $5,365, respectively)."*

Why would we incentivize these two highest income categories, when in Cycle 5 we substantially overproduced in these categories relative to **all** the other income categories? In addition, the staff prepared Quantified Objectives tell us we will once again substantially overproduce in Above Moderate for Cycle 6 relative to all the other income categories – if we don't make changes.

And, why would we incentive the Upper-Middle Income category (160-200% AMI) when the vast majority can afford the rents?

Based on text in the Council Agenda Report, Policy 2.6 is about ownership housing, not rental housing Our recommendation is - Policy 2.6 should be revised to: 1) explicitly say Policy 2.6 is only about ownership housing (NOT about rental housing), and 2) **delete** Upper-Middle Income category because we do not need to further incentivize Upper-Middle Income housing).

It's important to remember Above Moderate (120-200% AMI) (which includes Middle Income and Upper Middle Income) does not include the area median income; the income category that includes the area median income is Moderate Income (80-120% AMI).

In conclusion, unless there are some substantive changes (and discontinue this new emphasis on the highest income households)**, it doesn't appear we will meet the moment regarding housing needs for local residents and workers**.

Additional things to consider:

A) **In-Lieu Fee**. It's our understanding that updating the In-Lieu Fee will require an RPF; the RFP should be issued early in 2024 so a consultant can be selected.

B) **Revise Community Benefit to remove market rate housing**. It's been close to two years since Council directed staff to do this work. Unless we missed it, it's not scheduled in the Time Frames anywhere. Ms. DeBusk (at the PC Nov. 16 hearing) **said it would probably be another two years** - because there are **800 pages** (!!!) of Ordinance Amendments already drafted and ready to go. What are these 800 pages all about?

We ask, are we really going to be working on our ***new*** Housing Plan? Or is a lot of this left over ideas that PC didn't come to consensus on from our previous Cycle 5 Housing Element?

C) **HE: Evaluate Hotel Zones**. Previous to the November 13, 2023 Memo to Planning Commission, Time Frame on this program was Amend Zoning Ordinance by Dec. 2024. Memo has pushed that back to End Date Q4 2025. Can we really afford this policy consideration delay?

D) **The Big Picture**. Council needs to have some sort of big picture workshop to discuss priorities and give staff direction on our ***new*** Housing Plan. Seems like Council has been out of the loop since the summer of 2022.

E) **Funding.** Not to be overlooked, funding for deed-restricted affordable housing is probably the most important part of the Housing Element plan.

Thank you for consideration of our comments.

Sincerely,
Allied Neighborhoods Association

Cc: Rosie Dyste, Daniel Gullett, Allison DeBusk, Elias Isaacson, Tava Ostrenger, Sarah Knecht, Rebecca Bjork, Planning Commissioners