



**REPORT DATE:** June 3, 2009  
**TO:** Planning Commission Chair and Members  
**FROM:** Steve Chase, Planning and Environmental Services Director  
**CONTACT:** Anne Wells, Advance Planning Manager  
**SUBJECT:** Housing Element Study Session

### **RECOMMENDATION**

Receive a staff presentation regarding the Housing Element update and discuss with staff accordingly.

### **BACKGROUND**

On March 5, 2007, the City Council directed staff to amend the Housing Element in order to comply with State law and gain State Housing and Community Development (HCD) certification. State HCD determines certification based on a review of Housing Elements and a requirement that they substantially comply with statutory regulations set forth in the California Government Code (Attachment 1). Cities are required to use all powers vested in them to facilitate the improvement and development of housing for the needs of all economic segments of the community. With this in mind, staff proceeded to draft amendments to the Housing Element via workshops, study sessions, meetings with State HCD, discussions with the Planning Commission and City Council, amending other elements of the General Plan in order to remove governmental constraints to the production of housing, and retaining expert housing and economic consultants.

Most significantly, the City Council provided Housing Element guidance in April 2008 and again in May 2009, via a review of "key policy issues", such as inclusionary housing percentages. Staff moved forward with various studies, such as an economic analysis of inclusionary feasibility, per Council's direction. Staff evaluated new legislation and conducted further studies in response to the State's regional housing needs allocation that the City received in August 2008.

At the end of March 2009, staff attended the League of California Cities Planners Institute Annual Conference and Exposition with three Planning Commissioners. It was an informative conference and was well attended by a diversity of Planning

Commissioners, Planning Directors, State housing and planning officials, and expert speakers and panelists from across California. Most relevant to this staff report were the housing sessions and in particular, the information provided by guest speakers from State HCD, housing attorneys, and consulting specialists, including the City's consultant, Jeff Baird. Much was learned about recent changes to affordable housing requirements, new legislation that addresses special needs housing, and the certification process that play into this housing study session. Bottom line – mandates are coming forward that will push cities to move beyond mere zoning to accommodate housing production. The State seeks actual creation of housing, not just housing opportunities.

Staff is nearing completion of the General Plan Amendment Work Program and, in particular, the Housing Element update, consistent with direction from the May 5 direction from the City Council. This study session reflects the Council's direction and is informational in that regard. In summary, this staff report provides a brief review of the history of the Housing Element update (also known as Track 1) followed by a review of recent statutory changes, the regional housing needs allocation, previous State HCD comments, a review of the Housing Element Technical Appendix update, and concludes with a discussion of the element itself and related policy amendments. As directed by the Council, staff prepared recommended changes that foster compliance with State Law. These recommended changes were thoughtfully crafted and the backup research is not provided but is available from staff.

### **Housing Element Update History (Track 1)**

The City adopted its Housing Element with the General Plan/Coastal Land Use Plan in October 2006 and soon after submitted the element to HCD for certification as consistent with State law. In March 2007, the City received official notice from State HCD that the Housing Element failed certification. The State found that the housing element lacked policy direction that would effectively lead to sufficient affordable housing production (Attachment 2).

Upon the recommendation of staff, the City Council authorized a contract with the housing element specialty firm of Baird + Driskell to identify further optional housing strategies, conduct public workshops, present key issues to the Planning Commission and City Council and assist staff in communications with HCD. Much of that work has been completed, including the conduct of workshops with affordable housing providers and public interest groups in September 2007 and the general public in October 2007, plus key issue presentations with the Planning Commission in February 2008 and the City Council in April 2008. At the completion of those efforts, the City Council authorized a contract with Economic & Planning Systems, Inc. (EPS) for the preparation of a pro forma/economic feasibility analysis of affordable housing inclusionary rates. That analysis is now complete (Attachment 2) and it is incorporated into the recommended changes set forth herein.

Meanwhile, the final Regional Housing Needs Allocation (RHNA) was adopted by the Santa Barbara County Association of Governments on August 21, 2008. Staff completed a vacant site inventory for a complete recount of suitable sites for the City's

residential capacity through 2014 and beyond. That inventory/recount was also taken into consideration in the preparation of the recommended changes set forth herein.

The process of updating the element started with a re-examination of the data and assumptions that went into the Housing Element's Technical Appendix. The appendix identifies baseline housing conditions, forecasted housing needs, economic trends and demographic data. From there, an updated picture began to emerge of Goleta's housing mix relative to its needs. Then a comparative analysis of housing strategies in other local communities ensued, relative to what works and why it works. Staff and consultants then formulated and evaluated the merits and deficits of various housing strategies, including no changes or slight revisions to the City's housing policies. During the May 5 City Council Study Session, the Council provided further direction regarding modifications to the policies. The resulting recommended changes are presented in underline-strikethrough format (Attachment 3). They are draft in nature, subject to the statutory review process yet to come between the City and State HCD. The updated Technical Appendix and recommended changes to the Housing Element, all in draft language, will be submitted to State HCD in late May. The statutory deadline for adoption of the element is August 31, 2009.

### **Recent Statutory Changes**

**SB 2.** Senate Bill 2 amends State Housing Element Law requiring local jurisdictions to strengthen provisions for addressing the housing needs of the homeless, including the identification of a zone or zones where emergency shelters are allowed as a permitted use without a conditional use permit. This legislation took effect January 1, 2008 and applies to jurisdictions with housing elements due June 30, 2008 and after. A new Housing Element policy is required to address SB 2. A Guidance letter from the State to planning directors and interested parties is included in separate handout and available on the web at [http://www.hcd.ca.gov/hpd/sb2\\_memo050708.pdf](http://www.hcd.ca.gov/hpd/sb2_memo050708.pdf).

**AB 1233.** For housing elements due on or after January 1, 2006, AB 1233 requires that, for purposes of making the assessment and inventory for meeting the locality's share of the regional housing need for the new housing element, if the city or county failed to identify or make available adequate sites to accommodate that portion of the regional housing need allocated pursuant to Section 65584, then the city or county shall, within the first year of the planning period of the new housing element, zone or rezone adequate sites to address the unaccommodated portion of the regional housing need allocation from the prior planning period. Since Goleta's Housing Element is uncertified, the City must demonstrate that the previous RHNA was satisfied through the rezoning of the Central Hollister Housing Opportunity Sites to medium density housing at 20 units per acre.

**AB 2634.** Assembly Bill 2634 was passed in 2006 and requires the quantification and analysis of existing and projected housing needs of extremely low-income households. Housing elements must identify zoning to encourage and facilitate supportive housing and single-room occupancy units. Extremely low-income is defined as incomes that are 30% or less than area median income (AMI). The bill requires that housing elements identify the number of existing and projected extremely low-income households and a

discussion of the related housing needs. To determine the project need, U.S. Census may be used or a jurisdiction can assume that one-half of the very low regional housing needs allocation can be applied to the extremely low-income category.

**AB 32/SB 375.** As a result of the passage of Assembly Bill 32 and Senate Bill 375, housing element updates must incorporate objectives related to climate change and energy conservation. The element must describe how the City addresses energy conservation opportunities in residential development and include policies and programs to address related objectives.

**Regional Housing Needs Allocation**

The housing allocation for Santa Barbara County from State HCD is part of a statewide mandate to address housing issues that are related to future growth in the state. The final Regional Housing Needs Allocation (RHNA) for jurisdictions within Santa Barbara County was adopted by the Santa Barbara County Association of Governments on August 21, 2008. The allocations submitted to and approved by HCD are as follows:

**2008 RHNA Allocation**

Jurisdiction	Housing Allocation
Goleta	1,641
Carpinteria	305
Santa Barbara	4,388
Buellton	279
Solvang	170
Santa Maria	3,199
Lompoc	516
Guadalupe	88
Unincorporated County	1,017
<i>Total</i>	<i>11,600</i>

The breakdown specific to Goleta with the addition of the extremely low income category (50% of the very low income units) per changes in State law are as follows:

**Goleta RHNA Breakdown (2007-2014) by Income Group**

Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Total
189	188	279	230	755	1,641

The Housing Element update, including the technical appendix, reflects the 2007-2014 RHNA numbers.

**DISCUSSION**

State HCD is looking for progress. Did the City produce housing in the planning period? Did the City make a good faith effort to create lower income housing and housing for all segments of the community? Did the City facilitate the process of creating housing? Did

the City remove constraints, real and perceived? For example, the General Plan's affordable housing strategy sets high standards for lower income unit production expectations, to that extent that it has been judged by State HCD to act as a barrier, not an incentive to housing production. More importantly, not one single project has emerged from that inclusionary strategy, nor are any projects in sight.

Environmental standards for habitat protection and transportation improvement requirements are a given in most every coastal community. Conservation prohibitions and standards can dissuade certification of a Housing Element and, ultimately, much needed affordable housing production. In that regard, the following discussion and resulting changes to the Technical Appendix and Housing Element attempt to address the balancing of diverse policy considerations that are spread throughout the entire General Plan, and to bring about internal consistency.

### **Housing Element Technical Appendix Update**

Key Housing Element Technical Appendix updates are summarized below.

**Technical Data.** The intent of the Technical Appendix is to present an analysis of information to understand the housing needs in Goleta, to provide a benchmark of housing data, and to comply with State law requirements. Data is generally contained in Chapter II of the Technical Appendix. The U.S. Department of Commerce Bureau of the Census and State of California Department of Finance provides the primary data source for evaluating demographic and housing trends. Other important sources include: UCSB Economic Forecast Project, State HCD, and State Employment Development Department.

The adopted Housing Element and Technical Appendix were recently prepared (2006), therefore, much of the data is current and does not require an update until the 2010 Census is released. Some data, such as real estate data, inflation, and income limits, is updated where appropriate. SBCAG released the County Regional Growth Forecast in August 2007. Data from the Growth Forecast and other relevant documents such as the UCSB Economic Forecast update was incorporated.

For perspective purposes, the technical data update reflects the following changes from the adopted Housing Element:

- There was a slight decrease (~250 people) in the City's population while the County had an increase (~9,000 people).
- The median annual income increased at the normal rate of 3.4%, per the State's recent publication. The State acknowledged that this increase does not reflect the recent economic downturn. As such, the median annual income established by the State is higher than reality.
- The average rent increase is higher than the median income increase.

**Homeless Population.** Effective January 1, 2008, SB 2 (Chapter 633, Statutes of 2007) requires every California city and county to engage in a detailed analysis of

emergency shelters and transitional and supportive housing in their next Housing Element revision, regulates zoning for these facilities, and broadens the scope of the Housing Accountability Act to include emergency shelters as well as supportive and transitional housing.

The Technical Appendix has been updated to meet these requirements. These steps are divided into the following three major sections:

- (1) Update Section II.D.6 Homeless Population: Identify and estimate the housing and service needs of homeless persons and families and assess the unmet need for emergency shelter, and transitional and supportive housing;
- (2) Update IV.D.1 Land Use Controls: Include designated zoning districts that are adequate to accommodate the identified need for emergency shelters; and
- (3) Update IV.D.2 Process and Permit Procedures: Document constraints on the development of transitional and supportive housing.

The updated Table 10A-5 in the appendix provides an estimate of the population of sheltered (1,480) and unsheltered (2,773) homeless persons in Santa Barbara County. This update is based on Comprehensive Housing Assistance Plan (CHAP) data and Santa Barbara County Continuum of Care 2007.

Homelessness in the Goleta Valley is addressed through the Continuum of Care Program operated through Santa Barbara County. The program works collaboratively with all jurisdictions in the County to identify needs, identify gaps in service delivery, and provide funding to assist the homeless from shelter through transition to permanent housing. As many of the region's homeless services are located in the City of Santa Barbara, most of the region's homeless persons are found in that area.

In summary, there was an increase in the bed count both in current inventory and those under development between 2006 and 2009. This increase did not specifically occur in the City, but occurred elsewhere in the County, mainly in the City of Santa Barbara. Goleta does not currently provide homeless shelter services, although we allow such uses in the C-2 General Commercial zone district with the approval of a Minor Conditional Use Permit. An emergency shelter is an allowable use in the C-3, C-S, M-RP, M-S-GOL, and M-1 zone districts, though discretionary action is required.

**Housing Development Potential and Analysis.** Chapter III of the Technical Appendix describes the housing development potential through a housing sites analysis. This analysis includes an available land inventory. This critical section of the appendix is updated to reflect the current status of projects under construction, approved but unbuilt, and pending projects. Site surveys were conducted to update the land inventory in the adopted appendix. The housing need, as required in the Regional Housing Needs Allocation, was used as the goal for housing production and this data is updated to reflect this new information. Results indicate:

- 2,053 potential units on vacant, residentially zoned sites, an increase from the 2006 count based on additional vacant parcels included in the count.

- 1,254 potential units on the vacant, residentially zoned sites are at a density of 20 units per acre or more, exceeding the regional housing needs zoning requirement (656 units) for very low and low incomes.
- A total of 71 units were constructed since the start of the planning period (between January 2007 and December 2008) with 8 in the very low and low categories.
- A total of 262 units are under construction with 55 in the very low and low categories.
- A total of 280 units are currently approved but unbuilt with 68 in the very low income category.
- A total of 217 units are pending with 5 in the low income category.
- Based on the RHNA target, the City needs an additional 811 units with 520 in the lower income categories.

Key findings in the Technical Appendix regarding regional housing needs and available lands are unchanged from the adopted element in the sense that there are suitable sites within the City limits to meet the housing goals established in the RHNA.

**Potential Housing Constraints.** Chapter IV of the Technical Appendix provides an analysis of potential and actual governmental and nongovernmental constraints to the maintenance, improvement, and development of housing for all income levels, consistent with State law requirements (65583(a)(4)(5)). The purpose of the constraints analysis is to identify the constraints such that the constraints can be addressed/reduced/overcome via the policies established in the Housing Element.

Factors that could constrain the City's ability to address its housing needs are physical and environmental considerations, governmental regulations, and market factors. Housing goals may conflict with the need to promote other important City goals, such as open space and recreational facility requirements, the protection of historic and environmental resources, and maintaining adequate service levels. The constraints analysis is updated to reflect current information, including current housing market conditions, General Plan amendments, process and permit fees, etc.

A summary of the General Plan Amendments that were adopted in 2007 (Village at Los Carneros Conservation Element subpolicy 10.3) and 2008 (City Track 2 Minor Amendments) are described in the context that they removed some policy constraints or perceived inconsistencies with the Housing Element. The findings in this chapter remain the same as the adopted Housing Element.

### **Housing Element Update and Key Policy Issues**

**Approach to Affordable Housing Production.** Goleta is a highly desirable place to live and work because of the natural beauty of its locality. To protect our natural areas and community character, respect our urban limits, and make the best use of the land we commit to development, our challenge is to find ways to make sure that vacant or redevelopable parcels are developed efficiently, under-used areas are put to better use, and new development "fits-in" with existing neighborhoods.

Strategies for making the most of our land resources for the purposes of housing and affordable housing include: (1) Infill Multi-Family Housing; (2) Mixed Use Housing; (3) Second Units; and (4) Transit-Oriented Development. Of these strategies, the Goleta Housing Element relies heavily on infill housing in the Central Hollister Housing Opportunity Sites. Infill housing at these locations were targeted because they are located along a transit corridor, among other things. The sites did not change from the adopted General Plan although staff points out that the site numbers changed to reflect the land inventory update. As such, subpolicy HE 11.6 proposed amendments reflect updated site numbers.

The General Plan uses inclusionary housing policies as a primary strategy for generating affordable housing. Creative ways to meet the City's inclusionary requirement are allowed, as detailed in subpolicy HE 11.4, and include partnerships with nonprofit housing agencies and trade-offs from one income category to another. The adopted policy text includes a trade-off approach wherein one very low-income unit is equivalent to 1.5 moderate-income units, and one low-income unit is equivalent to 1.25 moderate-income units.

Consistent with the May 5 City Council direction, staff is in the process of modifying this approach to base the trade-off on a site specific financial pro forma analysis. This is a recommended change from the current trade off multiplier approach that allows trades in very low and low for moderate income housing. The change is designed to ensure that there is a nexus for the trade and also allows the consideration for a trade of the very low and low for above moderate, at the City's discretion.

A more detailed discussion of related inclusionary policies is provided below with proposed amendments that are designed to address State HCD concerns.

**Inclusionary Percentages.** The Housing Element identifies "Housing Opportunity Sites" in the Central Hollister Residential Area. These sites were rezoned from nonresidential zones to Medium-Density Residential at 20 units per acre. The rezone was purposefully executed at the time of the adoption of the General Plan in order to substantially increase the land values for the purpose of stimulating housing construction. In an attempt to capture some of the increased land values for the purpose of affordable housing production, the General Plan established a 55% inclusionary housing requirement at these sites, applying both to rental and ownership units.

Inclusionary housing, while not uncontroversial, is increasingly being used as a major tool for addressing the affordable housing shortage. "Inclusionary" is generally defined as a mandatory requirement or voluntary goal to reserve a certain percentage of housing units for lower-income households in new residential developments. In 2003, one-fifth of all localities in California (107 cities and counties) implemented some form of inclusionary housing policy. This number is much greater today. The inclusionary rates vary by jurisdiction but more commonly are in the 15% to 20% range. In general, higher land cost regions have lower inclusionary percentages. The general trend is to apply inclusionary requirements to the very low and low income categories, but again, there is great variability in the income distribution for the inclusionary percentage.



Statewide, Goleta is on the high end of inclusionary rate requirements. The following is a summary of these standards in local jurisdictions:

- The City of Santa Barbara has a 15% inclusionary rate that focuses on workforce income groups.
- The City of Carpinteria has a 12% inclusionary rate that focuses on above moderate incomes.
- Buellton has a 15% inclusionary rate, with a 20% requirement in opportunity sites, with a focus on above moderate incomes.
- Lompoc has a 10% inclusionary rate, spread across very low, low and moderate incomes.
- Solvang and Guadalupe do not have inclusionary housing policies.
- The County has a 30% inclusionary rate that is spread across the various income categories.

Surveys of comparable California cities indicate that inclusionary requirements are a variable practice, similar to the standards that range in the County. Goleta's requirement for both the citywide standard of 30% and the Central Hollister Housing Opportunity Sites of 55% is on the high end.

In 2008, Economic & Planning Systems, Inc. (EPS) was retained to compare the relative impacts of alternative inclusionary programs on generic development projects in Goleta. While the economics of any given development project in Goleta varies according to the project location, product types and unit mix, market timing, developer and land owner motivations, etc, the study results provide a benchmark for inclusionary options. The study did not address rental projects.

EPS studied the feasibility impacts of inclusionary rates between 15% and 30% in new for-sale developments. The study evaluated the standards for two project scenarios: Project A, representing a typical subdivision of single family detached and townhome units; and Project B, representing the development of townhome units in the Central Hollister Housing Opportunity Area.

Under each scenario, EPS calculated the project's "residual land value" as a metric for determining the direction and scale of the feasibility impacts of alternative inclusionary housing programs. Residential land value represents the amount a developer could afford to pay for the land, and is calculated as the difference between the costs of development for the overall project (including a developer profit margin) and the values the developer could achieve through sale of the home being built. This measure illustrates the effect that inclusionary housing requirements are likely to have on the value of underlying land, assuming that developers will require a fixed minimum profit margin on their investment.

The study outcome identified that the more aggressive inclusionary options pose a greater burden on feasibility. It also appears, however, that the higher density development allowed on the Central Hollister Residential Opportunity Area sites can yield higher residual land values than on a typical site elsewhere in the City, and that

the City should be able to impose a more aggressive inclusionary requirement (more units at lower price points) on the Central Hollister sites. A summary table of the study findings, by project scenario and at the various mixes of affordable unit requirements is provided below:

**Summary of Feasibility Impact Findings by Inclusionary Program**

Project Description	Inclusionary Requirements		Residual Land Value [1]	
	Option	Mix of Affordable Units	Per Acre	Diff. from Market
<b>Project A</b>				
<i>Typical 80-unit project with mix of detached (all market) and attached units. Mix of bedroom sizes with affordable units apportioned throughout bedroom sizes.</i>	Market	100% market-rate units	\$2,632,004	
	Option 1	20% inclusionary: 10% low + 10% mod	\$2,217,997	-16%
	Option 2	30% inclusionary: 15% low + 15% mod	\$2,071,083	-21%
	Option 3	15% inclusionary: 7% low + 8% mod	\$1,777,254	-32%
<b>Project B</b>				
<i>Mid-Hollister Opportunity site with all attached units, slightly smaller unit sizes and 160 units total. Affordable units are apportioned through all unit sizes.</i>	Market	100% market-rate units	\$4,693,071	
	Option 1	15% inclusionary: 4% very low + 4% low + 7% mod	\$3,680,542	-22%
	Option 2	20% inclusionary: 5% very low + 5% low + 10% mod	\$3,434,674	-27%
	Option 3	30% inclusionary: 7% very low + 8% low + 15% mod	\$2,825,474	-40%

[1] Total development costs include developer profit of 15% of total development cost excluding land.

Based on a review of the outcome of the EPS study and other discussions during the May 5 study session the City Council provided staff with the following recommendation regarding inclusionary housing requirements:

- Retain two separate inclusionary requirements, one that is Citywide and another that is specific to the Central Hollister Residential Area rezone sites.
- Reduce the Citywide inclusionary percentage from 30% to a range of 15% to 20% with direction that staff creates the criteria for the income breakdown.
- Reduce the Central Hollister Residential Area opportunity site inclusionary percentage from 55% to 20% (5% very low, 5% low, 5% moderate, and 5% above moderate incomes).
- Eliminate inclusionary requirements for rental projects from both subpolicies HE 11.5 and HE 11.6 (discussed in more detail below).

State HCD does not consider the financial gain achieved by rezoning land from nonresidential use to residential use creates a nexus for higher affordable housing requirements. The strategy for supporting affordable housing in the Central Hollister Residential Area in HE 10 and the inclusionary policies in HE 11 are expanded to include the fact that the City will grant concessions and incentives to support these housing project opportunities.

**Rental vs Ownership Strategy.** With overall rents up over 8.5 percent between April 2007 and April 2008 and a vacancy rate of just 1.8%, South Coast area apartment owners have been well insulated from the economic woes, and meltdown in the residential real estate sector. As a result, many local residents spend a much higher percentage of their income for rental housing.

A vacancy rate of 5.0 percent is generally used to represent "equilibrium" in the multi-family housing market. The South Coast and Goleta are far below this equilibrium point. This structurally low apartment vacancy rate, combined with market rents that continue to accelerate faster than the overall cost of living, is clear evidence that there is a shortage of rental housing in the South Coast.

There have been some additional subsidized affordable housing units added to the South Coast housing market during recent years, but there has been very little market rate apartment construction in decades, with the recent exception of Willow Springs and Sumida Gardens projects. Market rate apartments are especially difficult to produce, as they must compete with more lucrative condominiums for development of limited land zoned for higher density housing, and apartment development tends to draw more opposition from existing residents than other types of housing.

On the South Coast, Goleta is the only jurisdiction to require inclusionary housing for 100% rental projects. Lompoc requires 10% either for the very low, low or moderate income groups and Buellton requires 15% inclusionary spread among the income groups. No other local jurisdictions have rental related inclusionary requirements.

Surveys of comparable California cities indicate that inclusionary requirements for rental projects are a variable practice, supported in some jurisdictions and not others. Affordability requirements vary as well, but tend to support units on the lower income scale.

What is the lesson learned from the research? Inclusionary standards for rental projects are city-specific, probably based on supply, demand, community desire, ability for the local jurisdiction to subsidize the development, and construction/land costs. It is clear that Goleta needs housing, rentals and ownership units, at all income levels. Rentals, in particular, are a difficult product to generate for financial reasons: it takes much longer to realize the profits in a rental project than ownership. The high cost of land coupled with construction costs typically eliminates the ability for a land owner/developer to propose rental product without large subsidies.

As earlier discussed, the "Housing Opportunity Sites" in the Central Hollister Area were rezoned from nonresidential zones to Medium-Density Residential at 20 units per acre in order to substantially increase the land values. In consideration of this land value increase, the General Plan established a 55% inclusionary housing requirement at these sites, applying both to rental and ownership units. In April 2008, the Council supported the study of dropping inclusionary requirements for rental housing in non-opportunity sites but did not address rental requirements in the opportunity sites.

Based on direction from Council during the May 5 study session, regarding inclusionary policies for rental projects, the Housing Element update reflects the elimination of inclusionary requirements for rental projects. This direction was applied to both the opportunity and non-opportunity sites.

**Affordable Housing Terms.** The terms for inclusionary housing vary from jurisdiction to jurisdiction. The terms are likely to be dependent on a number of factors, but certainly a longer term reduces the developer profit. In combination with other demands it needs to be recognized that a constraint may be formed.

In general, the terms of affordability are at least 30 years and are commonly much higher. The City of Santa Barbara, for example, has a 90 year term with a 15% inclusionary housing requirement targeting either the moderate or above moderate income groups. The City of Carpinteria, on the other hand, has a 30 year term with a 12% above moderate inclusionary requirement. The County of Santa Barbara has a 30 year term with a 30% inclusionary requirement spread among the income groups. Buellton has a 45-50 year range for terms with a 15% or 20% inclusionary requirement spread among the income groups. Again, the terms of affordable units vary by jurisdiction, but there seems to be a correlation with the inclusionary requirement where the higher the inclusionary requirement, the lower the terms.

Based on direction from Council during the May 5 study session, the 55-year term that is currently required in the Housing Element is proposed to be amended to read that a term "*...be based on applicable Federal Laws and financing mechanisms, generally 45-years but not less than 30-years.*" The reason for this recommendation is to stimulate the production of affordable housing. The way to do that is to position potential development for multiple funding sources, both private and public. It would be a negotiable term between the City, developer and their financial partners, backed by pro forma analysis, covenants and compliance monitoring. A new policy will be created that clarifies statutory requirements within the Redevelopment Area, as the required term is 55 years as described later in this staff report

**Affordable Housing Production Incentives and Concessions.** The Housing Element includes potential incentives and concessions to enable development of lower-income and special needs housing as appropriate to the location and design of the development, compatibility with adjacent uses, and the type, size, and income levels of the occupants of the housing. Incentives and concessions are itemized in Policies and Programs in HE 10 and HE 11. Staff recommended and on May 5<sup>th</sup>, Council supported, consolidating the incentives and concessions for clarity purposes. This is a house keeping matter.

**Extremely Low Income Strategy.** As previously described, changes to State law now require housing elements to address the "extremely low income" (ELI) category and related housing needs. The ELI is not specifically a segment of the RHNA, it just allows the RHNA very low income number to be used to calculate need for ELI. As such, the policy strategy to address this new income group is to split the very low income housing RHNA between the two categories. Policies are expanded to include references to this new income group and new strategies added to specifically assist in the development of

housing types to meet the needs of these households. The issue of ELI housing need is intertwined with SB2 requirements for homeless, supportive, and transitional housing. Refer to the discussion below for more detail.

**Special Needs (Emergency Shelters/Transitional Housing).** Senate Bill 2 of 2007 strengthened planning requirements for emergency shelters and transitional housing. Compliance with SB 2 requires: 1) at least one zone to be identified to permit emergency shelters without a conditional use permit or other discretionary action or, 2) a demonstration that the need for emergency shelters can be accommodated in existing shelters or through a multi-jurisdictional agreement.

The SB 2-related requirements for a multi-jurisdictional agreement are not consistent with the Multi-jurisdictional Continuum of Care Program: As such, staff amended the related Housing Element policies and programs to reflect option 1 above.

From a baseline perspective, the Continuum of Care Gaps Analysis shows a significant unmet need for shelter beds both Countywide and in the City. Currently, the City permits group residential uses, including transitional housing facilities, in multi-family districts, subject to a use permit. Emergency shelters, defined as a community service use in Goleta are also permitted in multi-family zones, subject to a use permit. Various facilities serving the homeless are located in Santa Barbara.

In order to address the SB 2 requirements, various actions are required in the Housing Element update. The Housing Element policies must identify the zone for a year-around shelter, permitted by right, without a conditional use permit or other discretionary action. SB2 requires that transitional housing and supportive housing must constitute a residential use. Zoning code amendments are required to treat transitional and supportive housing as residential uses, only subject to those restrictions that apply to other residential uses of the same type in the same zone. And, the zoning code must encourage and facilitate the use of single room occupancy units. Finally, the Technical Appendix must describe the characteristics and suitability of the zone

The Housing Element subpolicy HE 5.6 Housing for Homeless Persons and Implementation Program IP-5E Programs to Address Homeless Needs is amended to address the above requirements (Attachment 3). Staff brings the Planning Commission's attention to the fact that the updated policy will necessitate a zoning code amendment to allow emergency shelters as a use with limited discretionary oversight, consistent with State law. On May 5, the City Council provided direction to staff that the target area for an emergency shelter occur in the C-3 General Commercial zoning district because it is already an allowable use, by right in the zoning code. The City Council also requested that additional zones be explored.

The C-3 zoning district is predominantly found in Old Town, south of Hollister Avenue. This area is in proximity to transit and other services. The current ordinance also allows emergency shelters in the C-2, C-S, M-RP, M-S-GOL, and M-1 zone districts. This staff report does not intend to address the content of the ordinance amendment and only addresses the need to identify the zone district as a policy directive, per State law.

Consistent with State law, the time period for the program is updated to reflect that the City will actively seek to locate a shelter within two years. The Glossary to the General Plan is updated to reflect the definitions of emergency shelters, transitional housing, and supportive housing, as identified in Attachment 3.

**Assisted Living.** In 2000, 1,928 households, or 18 percent of the City's total households had a head of household who was more than 65 years old. Census data show that many elderly heads of households own their own homes. As our population ages, the need for senior care via assisted living/licensed care facilities will escalate. Given this need, staff recommends removing the requirements for affordable housing in HE 5.3 Density Bonuses for Special Needs Housing and removing the applicability of subpolicy HE 11.1 Inclusionary Housing Approach to licensed care facilities. This recommendation was supported by the City Council during the May 5 study session.

**Redevelopment Area.** The Housing Element was prepared to be consistent with the City's Redevelopment Plan and was intended to meet or exceed related Redevelopment Area law. The Housing Element is required to include an estimate of the amount of funds expected to accrue to the low and moderate income housing fund and describe the planned uses for those housing funds over the planning period. The Housing Element briefly addresses the planned uses for the Housing Set-Aside Fund at various places in the element that the fund is mentioned, but it does not estimate the amount of funds. The updated Housing Element will include this value based on consultation with Redevelopment Agency staff.

There are special requirements related to housing in Redevelopment Law that are not reflected in the policies. For example, a 15% inclusionary standard (of which 40% of the units must be made available to very low income households) is required for rental and for-sale projects in Redevelopment Areas (RDA). The affordable housing terms are a minimum of 55-years for rental projects and a minimum of 45 years for for-sale projects. Where affordable housing fees are collected in RDAs, they are required to either be used in the RDA or a trade off of 1:2 matching is allowed if the funds are used outside of the RDA. A policy regarding RDA consistency is included in the updated Housing Element.

**Sustainability and Energy Efficiency Policies.** State HCD requires that Housing Element updates promote addressing housing and climate change objectives, such as the reduction of green house gas emissions. They require that the element must describe how the jurisdictions address energy conservation opportunities in residential development and facilitate adoption of housing and land use policies and programs that meet housing and conservation objectives.

Most of the General Plan's housing and land use strategies designed to meet the existing and projected housing needs also serve to effectively address climate change concerns. For example, promoting higher density housing along transit corridors (Central Hollister Opportunity Site) also can significantly contribute to reductions in green house gas emissions.

The adopted element includes transit oriented development policies, solar design, green building, etc. Staff is in the process of updating these policies to more explicitly refer to mechanisms that serve to meet housing requirements and also make significant contributions to reducing greenhouse gas emissions and promote energy conservation. Refer to the reference materials provided under separate cover for State HCD suggested policy programs and strategies related to this topic. The file is also available online: [http://www.hcd.ca.gov/hpd/HE\\_PoliciesProgramsAddressingClimateChange.pdf](http://www.hcd.ca.gov/hpd/HE_PoliciesProgramsAddressingClimateChange.pdf).


In the future, the City will update the General Plan as needed to comply with specific requirements resulting from implementation of AB 32 and SB 375 at the State and regional levels.

## SUMMARY AND CONCLUSION

Staff recommends that the Planning Commission review the content of this staff report and discuss accordingly. For the sake of discussion, the key policy update in Attachment 3 is a useful guide. Staff is in the process of finalizing the Draft Housing Element, in underline and strikethrough format, and the Draft Housing Element Technical Appendix in straight text without underline and strikethrough revisions for submittal to the State HCD. Staff will provide copies of the submittal to the Commission. The State has 60 days to provide comment (Section 65585) on the draft submittal. Staff will report back to the Commission following receipt of the State HCD review. The recommendation for the adoption of the Draft Housing Element is scheduled for Planning Commission deliberation in late July.

Submitted By:

Approved By:



Anne Wells  
Advance Planning Manager



Patricia S. Miller  
Planning Commission Secretary

## ATTACHMENTS:

1. Planning and Zoning Law
2. Background Material
3. Housing Element Key Policy Updates

# Attachment 1

## Planning and Zoning Law

Attachment 1 Includes:

*Government Codes Sections:*

65580	Policy
65581	Intent
65582	Definitions
65583	Housing element content
65583.2	Residential land inventory...
65585	Housing elements guidelines and state review
65589.5	Findings to assure the approval of affordable housing
65589.8	Affordable housing



GOVERNMENT CODE  
**California Planning and Zoning Law**

**Article 10.6: Housing Element Law**

**Section(s) 65580-65589.8 (abridged)**

**65580.** The Legislature finds and declares as follows:

(a) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, including farmworkers, is a priority of the highest order.

(b) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.

(c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.

(d) Local and state governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.

(e) The Legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the state in addressing regional housing needs.

**65581.** It is the intent of the Legislature in enacting this article:

(a) To assure that counties and cities recognize their responsibilities in contributing to the attainment of the state housing goal.

(b) To assure that counties and cities will prepare and implement housing elements which, along with federal and state programs, will move toward attainment of the state housing goal.

(c) To recognize that each locality is best capable of determining what efforts are required by it to contribute to the attainment of the state housing goal, provided such a determination is compatible with the state housing goal and regional housing needs.

(d) To ensure that each local government cooperates with other local governments in order to address regional housing needs.

**65582.** As used in this article, the following definitions apply:

(a) "Community," "locality," "local government," or "jurisdiction" means a city, city and county, or county.

(b) "Council of governments" means a single or multicounty council created by a joint powers agreement pursuant to Chapter 5 (commencing with Section 6500) of Division 1 of Title 1.

(c) "Department" means the Department of Housing and Community

Development.

(d) "Emergency shelter" has the same meaning as defined in subdivision (e) of Section 50801 of the Health and Safety Code.

(e) "Housing element" or "element" means the housing element of the community's general plan, as required pursuant to this article and subdivision (c) of Section 65302.

(f) "Supportive housing" has the same meaning as defined in subdivision (b) of Section 50675.14 of the Health and Safety Code.

(g) "Transitional housing" has the same meaning as defined in subdivision (h) of Section 50675.2 of the Health and Safety Code.

**65583.** The housing element shall consist of an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, mobilehomes, and emergency shelters, and shall make adequate provision for the existing and projected needs of all economic segments of the community. The element shall contain all of the following:

(a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs. The assessment and inventory shall include all of the following:

(1) An analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected housing needs for all income levels, including extremely low income households, as defined in subdivision (b) of Section 50105 and Section 50106 of the Health and Safety Code. These existing and projected needs shall include the locality's share of the regional housing need in accordance with Section 65584. Local agencies shall calculate the subset of very low income households allotted under Section 65584 that qualify as extremely low income households. The local agency may either use available census data to calculate the percentage of very low income households that qualify as extremely low income households or presume that 50 percent of the very low income households qualify as extremely low income households. The number of extremely low income households and very low income households shall equal the jurisdiction's allocation of very low income households pursuant to Section 65584.

(2) An analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition.

(3) An inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites.

(4) (A) The identification of a zone or zones where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit. The identified zone or zones shall include sufficient capacity to accommodate the need for emergency shelter identified in paragraph (7), except that each local government shall identify a zone or zones that can accommodate at least one year-round emergency shelter. If the local government

cannot identify a zone or zones with sufficient capacity, the local government shall include a program to amend its zoning ordinance to meet the requirements of this paragraph within one year of the adoption of the housing element. The local government may identify additional zones where emergency shelters are permitted with a conditional use permit. The local government shall also demonstrate that existing or proposed permit processing, development, and management standards are objective and encourage and facilitate the development of, or conversion to, emergency shelters. Emergency shelters may only be subject to those development and management standards that apply to residential or commercial development within the same zone except that a local government may apply written, objective standards that include all of the following:

(i) The maximum number of beds or persons permitted to be served nightly by the facility.

(ii) Off-street parking based upon demonstrated need, provided that the standards do not require more parking for emergency shelters than for other residential or commercial uses within the same zone.

(iii) The size and location of exterior and interior onsite waiting and client intake areas.

(iv) The provision of onsite management.

(v) The proximity to other emergency shelters, provided that emergency shelters are not required to be more than 300 feet apart.

(vi) The length of stay.

(vii) Lighting.

(viii) Security during hours that the emergency shelter is in operation.

(B) The permit processing, development, and management standards applied under this paragraph shall not be deemed to be discretionary acts within the meaning of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(C) A local government that can demonstrate to the satisfaction of the department the existence of one or more emergency shelters either within its jurisdiction or pursuant to a multijurisdictional agreement that can accommodate that jurisdiction's need for emergency shelter identified in paragraph (7) may comply with the zoning requirements of subparagraph (A) by identifying a zone or zones where new emergency shelters are allowed with a conditional use permit.

(D) A local government with an existing ordinance or ordinances that comply with this paragraph shall not be required to take additional action to identify zones for emergency shelters. The housing element must only describe how existing ordinances, policies, and standards are consistent with the requirements of this paragraph.

(5) An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (6), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. The analysis shall also demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of the regional housing need in accordance with Section 65584 and from meeting the need for

housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters identified pursuant to paragraph (6). Transitional housing and supportive housing shall be considered a residential use of property, and shall be subject only to those restrictions that apply to other residential dwellings of the same type in the same zone.

(6) An analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction.

(7) An analysis of any special housing needs, such as those of the elderly, persons with disabilities, large families, farmworkers, families with female heads of households, and families and persons in need of emergency shelter. The need for emergency shelter shall be assessed based on annual and seasonal need. The need for emergency shelter may be reduced by the number of supportive housing units that are identified in an adopted 10-year plan to end chronic homelessness and that are either vacant or for which funding has been identified to allow construction during the planning period.

(8) An analysis of opportunities for energy conservation with respect to residential development.

(9) An analysis of existing assisted housing developments that are eligible to change from low-income housing uses during the next 10 years due to termination of subsidy contracts, mortgage prepayment, or expiration of restrictions on use. "Assisted housing developments," for the purpose of this section, shall mean multifamily rental housing that receives governmental assistance under federal programs listed in subdivision (a) of Section 65863.10, state and local multifamily revenue bond programs, local redevelopment programs, the federal Community Development Block Grant Program, or local in-lieu fees. "Assisted housing developments" shall also include multifamily rental units that were developed pursuant to a local inclusionary housing program or used to qualify for a density bonus pursuant to Section 65916.

(A) The analysis shall include a listing of each development by project name and address, the type of governmental assistance received, the earliest possible date of change from low-income use and the total number of elderly and nonelderly units that could be lost from the locality's low-income housing stock in each year during the 10-year period. For purposes of state and federally funded projects, the analysis required by this subparagraph need only contain information available on a statewide basis.

(B) The analysis shall estimate the total cost of producing new rental housing that is comparable in size and rent levels, to replace the units that could change from low-income use, and an estimated cost of preserving the assisted housing developments. This cost analysis for replacement housing may be done aggregately for each five-year period and does not have to contain a project-by-project cost estimate.

(C) The analysis shall identify public and private nonprofit corporations known to the local government which have legal and managerial capacity to acquire and manage these housing developments.

(D) The analysis shall identify and consider the use of all federal, state, and local financing and subsidy programs which can be used to preserve, for lower income households, the assisted housing developments, identified in this paragraph, including, but not

limited to, federal Community Development Block Grant Program funds, tax increment funds received by a redevelopment agency of the community, and administrative fees received by a housing authority operating within the community. In considering the use of these financing and subsidy programs, the analysis shall identify the amounts of funds under each available program which have not been legally obligated for other purposes and which could be available for use in preserving assisted housing developments.

(b) (1) A statement of the community's goals, quantified objectives, and policies relative to the maintenance, preservation, improvement, and development of housing.

(2) It is recognized that the total housing needs identified pursuant to subdivision (a) may exceed available resources and the community's ability to satisfy this need within the content of the general plan requirements outlined in Article 5 (commencing with Section 65300). Under these circumstances, the quantified objectives need not be identical to the total housing needs. The quantified objectives shall establish the maximum number of housing units by income category, including extremely low income, that can be constructed, rehabilitated, and conserved over a five-year time period.

(c) A program which sets forth a five-year schedule of actions the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land use and development controls, the provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs when available and the utilization of moneys in a low- and moderate-income housing fund of an agency if the locality has established a redevelopment project area pursuant to the Community Redevelopment Law (Division 24 (commencing with Section 33000) of the Health and Safety Code). In order to make adequate provision for the housing needs of all economic segments of the community, the program shall do all of the following:

(1) Identify actions that will be taken to make sites available during the planning period of the general plan with appropriate zoning and development standards and with services and facilities to accommodate that portion of the city's or county's share of the regional housing need for each income level that could not be accommodated on sites identified in the inventory completed pursuant to paragraph (3) of subdivision (a) without rezoning, and to comply with the requirements of Section 65584.09. Sites shall be identified as needed to facilitate and encourage the development of a variety of types of housing for all income levels, including multifamily rental housing, factory-built housing, mobilehomes, housing for agricultural employees, supportive housing, single-room occupancy units, emergency shelters, and transitional housing.

(A) Where the inventory of sites, pursuant to paragraph (3) of subdivision (a), does not identify adequate sites to accommodate the need for groups of all household income levels pursuant to Section 65584, the program shall identify sites that can be developed for housing within the planning period pursuant to subdivision (h) of Section 65583.2.

(B) Where the inventory of sites pursuant to paragraph (3) of subdivision (a) does not identify adequate sites to accommodate the need for farmworker housing, the program shall provide for sufficient sites to meet the need with zoning that permits farmworker housing

use by right, including density and development standards that could accommodate and facilitate the feasibility of the development of farmworker housing for low- and very low income households.

(2) Assist in the development of adequate housing to meet the needs of extremely low, very low, low-, and moderate-income households.

(3) Address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities. The program shall remove constraints to, and provide reasonable accommodations for housing designed for, intended for occupancy by, or with supportive services for, persons with disabilities.

(4) Conserve and improve the condition of the existing affordable housing stock, which may include addressing ways to mitigate the loss of dwelling units demolished by public or private action.

(5) Promote housing opportunities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or disability.

(6) Preserve for lower income households the assisted housing developments identified pursuant to paragraph (9) of subdivision (a). The program for preservation of the assisted housing developments shall utilize, to the extent necessary, all available federal, state, and local financing and subsidy programs identified in paragraph (9) of subdivision (a), except where a community has other urgent needs for which alternative funding sources are not available. The program may include strategies that involve local regulation and technical assistance.

(7) The program shall include an identification of the agencies and officials responsible for the implementation of the various actions and the means by which consistency will be achieved with other general plan elements and community goals. The local government shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the program shall describe this effort.

(d) (1) A local government may satisfy all or part of its requirement to identify a zone or zones suitable for the development of emergency shelters pursuant to paragraph (4) of subdivision (a) by adopting and implementing a multijurisdictional agreement, with a maximum of two other adjacent communities, that requires the participating jurisdictions to develop at least one year-round emergency shelter within two years of the beginning of the planning period.

(2) The agreement shall allocate a portion of the new shelter capacity to each jurisdiction as credit towards its emergency shelter need, and each jurisdiction shall describe how the capacity was allocated as part of its housing element.

(3) Each member jurisdiction of a multijurisdictional agreement shall describe in its housing element all of the following:

(A) How the joint facility will meet the jurisdiction's emergency shelter need.

(B) The jurisdiction's contribution to the facility for both the development and ongoing operation and management of the facility.

(C) The amount and source of the funding that the jurisdiction contributes to the facility.

(4) The aggregate capacity claimed by the participating jurisdictions in their housing elements shall not exceed the actual

capacity of the shelter.

(e) Except as otherwise provided in this article, amendments to this article that alter the required content of a housing element shall apply to both of the following:

(1) A housing element or housing element amendment prepared pursuant to subdivision (e) of Section 65588 or Section 65584.02, when a city, county, or city and county submits a draft to the department for review pursuant to Section 65585 more than 90 days after the effective date of the amendment to this section.

(2) Any housing element or housing element amendment prepared pursuant to subdivision (e) of Section 65588 or Section 65584.02, when the city, county, or city and county fails to submit the first draft to the department before the due date specified in Section 65588 or 65584.02.

**65583.2.** (a) A city's or county's inventory of land suitable for residential development pursuant to paragraph (3) of subdivision (a) of Section 65583 shall be used to identify sites that can be developed for housing within the planning period and that are sufficient to provide for the jurisdiction's share of the regional housing need for all income levels pursuant to Section 65584. As used in this section, "land suitable for residential development" includes all of the following:

(1) Vacant sites zoned for residential use.

(2) Vacant sites zoned for nonresidential use that allows residential development.

(3) Residentially zoned sites that are capable of being developed at a higher density.

(4) Sites zoned for nonresidential use that can be redeveloped for, and as necessary, rezoned for, residential use.

(b) The inventory of land shall include all of the following:

(1) A listing of properties by parcel number or other unique reference.

(2) The size of each property listed pursuant to paragraph (1), and the general plan designation and zoning of each property.

(3) For nonvacant sites, a description of the existing use of each property.

(4) A general description of any environmental constraints to the development of housing within the jurisdiction, the documentation for which has been made available to the jurisdiction. This information need not be identified on a site-specific basis.

(5) A general description of existing or planned water, sewer, and other dry utilities supply, including the availability and access to distribution facilities. This information need not be identified on a site-specific basis.

(6) Sites identified as available for housing for above-moderate income households in areas not served by public sewer systems. This information need not be identified on a site-specific basis.

(7) A map that shows the location of the sites included in the inventory, such as the land use map from the jurisdiction's general plan for reference purposes only.

(c) Based on the information provided in subdivision (b), a city or county shall determine whether each site in the inventory can accommodate some portion of its share of the regional housing need by income level during the planning period, as determined pursuant to

Section 65584. The analysis shall determine whether the inventory can provide for a variety of types of housing, including multifamily rental housing, factory-built housing, mobilehomes, housing for agricultural employees, emergency shelters, and transitional housing. The city or county shall determine the number of housing units that can be accommodated on each site as follows:

(1) If local law or regulations require the development of a site at a minimum density, the department shall accept the planning agency's calculation of the total housing unit capacity on that site based on the established minimum density. If the city or county does not adopt a law or regulations requiring the development of a site at a minimum density, then it shall demonstrate how the number of units determined for that site pursuant to this subdivision will be accommodated.

(2) The number of units calculated pursuant to paragraph (1) shall be adjusted as necessary, based on the land use controls and site improvements requirement identified in paragraph (4) of subdivision (a) of Section 65583.

(3) For the number of units calculated to accommodate its share of the regional housing need for lower income households pursuant to paragraph (2), a city or county shall do either of the following:

(A) Provide an analysis demonstrating how the adopted densities accommodate this need. The analysis shall include, but is not limited to, factors such as market demand, financial feasibility, or information based on development project experience within a zone or zones that provide housing for lower income households.

(B) The following densities shall be deemed appropriate to accommodate housing for lower income households:

(i) For incorporated cities within nonmetropolitan counties and for nonmetropolitan counties that have micropolitan areas: sites allowing at least 15 units per acre.

(ii) For unincorporated areas in all nonmetropolitan counties not included in clause (i): sites allowing at least 10 units per acre.

(iii) For suburban jurisdictions: sites allowing at least 20 units per acre.

(iv) For jurisdictions in metropolitan counties: sites allowing at least 30 units per acre.

(d) For purposes of this section, metropolitan counties, nonmetropolitan counties, and nonmetropolitan counties with micropolitan areas are as determined by the United States Census Bureau. Nonmetropolitan counties with micropolitan areas include the following counties: Del Norte, Humboldt, Lake Mendocino, Nevada, Tehama, and Tuolumne and such other counties as may be determined by the United States Census Bureau to be nonmetropolitan counties with micropolitan areas in the future.

(e) A jurisdiction is considered suburban if the jurisdiction does not meet the requirements of clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (c) and is located in a Metropolitan Statistical Area (MSA) of less than 2,000,000 in population, unless that jurisdiction's population is greater than 100,000, in which case it is considered metropolitan. Counties, not including the City and County of San Francisco, will be considered suburban unless they are in a MSA of 2,000,000 or greater in population in which case they are considered metropolitan.

(f) A jurisdiction is considered metropolitan if the jurisdiction does not meet the requirements for "suburban area" above and is located in a MSA of 2,000,000 or greater in population, unless that



jurisdiction's population is less than 25,000 in which case it is considered suburban.

(g) For sites described in paragraph (3) of subdivision (b), the city or county shall specify the additional development potential for each site within the planning period and shall provide an explanation of the methodology used to determine the development potential. The methodology shall consider factors including the extent to which existing uses may constitute an impediment to additional residential development, development trends, market conditions, and regulatory or other incentives or standards to encourage additional residential development on these sites.

(h) The program required by subparagraph (A) of paragraph (1) of subdivision (c) of Section 65583 shall accommodate 100 percent of the need for housing for very low and low-income households allocated pursuant to Section 65584 for which site capacity has not been identified in the inventory of sites pursuant to paragraph (3) of subdivision (a) on sites that shall be zoned to permit owner-occupied and rental multifamily residential use by right during the planning period. These sites shall be zoned with minimum density and development standards that permit at least 16 units per site at a density of at least 16 units per acre in jurisdictions described in clause (i) of subparagraph (B) of paragraph (3) of subdivision (c) and at least 20 units per acre in jurisdictions described in clauses (iii) and (iv) of subparagraph (B) of paragraph (3) of subdivision (c). At least 50 percent of the very low and low-income housing need shall be accommodated on sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted.

(i) For purposes of this section and Section 65583, the phrase "use by right" shall mean that the local government's review of the owner-occupied or multifamily residential use may not require a conditional use permit, planned unit development permit, or other discretionary local government review or approval that would constitute a "project" for purposes of Division 13 (commencing with Section 21000) of the Public Resources Code. Any subdivision of the sites shall be subject to all laws, including, but not limited to, the local government ordinance implementing the Subdivision Map Act. A local ordinance may provide that "use by right" does not exempt the use from design review. However, that design review shall not constitute a "project" for purposes of Division 13 (commencing with Section 21000) of the Public Resources Code. Use by right for all rental multifamily residential housing shall be provided in accordance with subdivision (f) of Section 65589.5.

**65585.** (a) In the preparation of its housing element, each city and county shall consider the guidelines adopted by the department pursuant to Section 50459 of the Health and Safety Code. Those guidelines shall be advisory to each city or county in the preparation of its housing element.

(b) At least 90 days prior to adoption of its housing element, or at least 60 days prior to the adoption of an amendment to this element, the planning agency shall submit a draft element or draft amendment to the department. The department shall review the draft and report its written findings to the planning agency within 90 days of its receipt of the draft in the case of an adoption or within 60 days of its receipt in the case of a draft amendment.

(c) In the preparation of its findings, the department may consult with any public agency, group, or person. The department shall receive and consider any written comments from any public agency, group, or person regarding the draft or adopted element or amendment under review.

(d) In its written findings, the department shall determine whether the draft element or draft amendment substantially complies with the requirements of this article.

(e) Prior to the adoption of its draft element or draft amendment, the legislative body shall consider the findings made by the department. If the department's findings are not available within the time limits set by this section, the legislative body may act without them.

(f) If the department finds that the draft element or draft amendment does not substantially comply with the requirements of this article, the legislative body shall take one of the following actions:

(1) Change the draft element or draft amendment to substantially comply with the requirements of this article.

(2) Adopt the draft element or draft amendment without changes. The legislative body shall include in its resolution of adoption written findings which explain the reasons the legislative body believes that the draft element or draft amendment substantially complies with the requirements of this article despite the findings of the department.

(g) Promptly following the adoption of its element or amendment, the planning agency shall submit a copy to the department.

(h) The department shall, within 90 days, review adopted housing elements or amendments and report its findings to the planning agency.

**65589.5.** (a) The Legislature finds and declares all of the following:

(1) The lack of housing, including emergency shelters, is a critical problem that threatens the economic, environmental, and social quality of life in California.

(2) California housing has become the most expensive in the nation. The excessive cost of the state's housing supply is partially caused by activities and policies of many local governments that limit the approval of housing, increase the cost of land for housing, and require that high fees and exactions be paid by producers of housing.

(3) Among the consequences of those actions are discrimination against low-income and minority households, lack of housing to support employment growth, imbalance in jobs and housing, reduced mobility, urban sprawl, excessive commuting, and air quality deterioration.

(4) Many local governments do not give adequate attention to the economic, environmental, and social costs of decisions that result in disapproval of housing projects, reduction in density of housing projects, and excessive standards for housing projects.

(b) It is the policy of the state that a local government not reject or make infeasible housing developments, including emergency shelters, that contribute to meeting the need determined pursuant to this article without a thorough analysis of the economic, social, and

environmental effects of the action and without complying with subdivision (d).

(c) The Legislature also recognizes that premature and unnecessary development of agricultural lands for urban uses continues to have adverse effects on the availability of those lands for food and fiber production and on the economy of the state. Furthermore, it is the policy of the state that development should be guided away from prime agricultural lands; therefore, in implementing this section, local jurisdictions should encourage, to the maximum extent practicable, in filling existing urban areas.

(d) A local agency shall not disapprove a housing development project, including farmworker housing as defined in subdivision (d) of Section 50199.50 of the Health and Safety Code, for very low, low-, or moderate-income households, or an emergency shelter, or condition approval in a manner that renders the project infeasible for development for the use of very low, low-, or moderate-income households, or an emergency shelter, including through the use of design review standards, unless it makes written findings, based upon substantial evidence in the record, as to one of the following:

(1) The jurisdiction has adopted a housing element pursuant to this article that has been revised in accordance with Section 65588, is in substantial compliance with this article, and the jurisdiction has met or exceeded its share of the regional housing need allocation pursuant to Section 65584 for the planning period for the income category proposed for the housing development project, provided that any disapproval or conditional approval shall not be based on any of the reasons prohibited by Section 65008. If the housing development project includes a mix of income categories, and the jurisdiction has not met or exceeded its share of the regional housing need for one or more of those categories, then this paragraph shall not be used to disapprove or conditionally approve the project. The share of the regional housing need met by the jurisdiction shall be calculated consistently with the forms and definitions that may be adopted by the Department of Housing and Community Development pursuant to Section 65400. In the case of an emergency shelter, the jurisdiction shall have met or exceeded the need for emergency shelter, as identified pursuant to paragraph (7) of subdivision (a) of Section 65583. Any disapproval or conditional approval pursuant to this paragraph shall be in accordance with applicable law, rule, or standards.

(2) The development project or emergency shelter as proposed would have a specific, adverse impact upon the public health or safety, and there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to low- and moderate-income households or rendering the development of the emergency shelter financially infeasible. As used in this paragraph, a "specific, adverse impact" means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. Inconsistency with the zoning ordinance or general plan land use designation shall not constitute a specific, adverse impact upon the public health or safety.

(3) The denial of the project or imposition of conditions is required in order to comply with specific state or federal law, and there is no feasible method to comply without rendering the development unaffordable to low- and moderate-income households or

rendering the development of the emergency shelter financially infeasible.

(4) The development project or emergency shelter is proposed on land zoned for agriculture or resource preservation that is surrounded on at least two sides by land being used for agricultural or resource preservation purposes, or which does not have adequate water or wastewater facilities to serve the project.

(5) The development project or emergency shelter is inconsistent with both the jurisdiction's zoning ordinance and general plan land use designation as specified in any element of the general plan as it existed on the date the application was deemed complete, and the jurisdiction has adopted a revised housing element in accordance with Section 65588 that is in substantial compliance with this article.

(A) This paragraph cannot be utilized to disapprove or conditionally approve a housing development project if the development project is proposed on a site that is identified as suitable or available for very low, low-, or moderate-income households in the jurisdiction's housing element, and consistent with the density specified in the housing element, even though it is inconsistent with both the jurisdiction's zoning ordinance and general plan land use designation.

(B) If the local agency has failed to identify in the inventory of land in its housing element sites that can be developed for housing within the planning period and that are sufficient to provide for the jurisdiction's share of the regional housing need for all income levels pursuant to Section 65584, then this paragraph shall not be utilized to disapprove or conditionally approve a housing development project proposed for a site designated in any element of the general plan for residential uses or designated in any element of the general plan for commercial uses if residential uses are permitted or conditionally permitted within commercial designations. In any action in court, the burden of proof shall be on the local agency to show that its housing element does identify adequate sites with appropriate zoning and development standards and with services and facilities to accommodate the local agency's share of the regional housing need for the very low and low-income categories.

(C) If the local agency has failed to identify a zone or zones where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit, has failed to demonstrate that the identified zone or zones include sufficient capacity to accommodate the need for emergency shelter identified in paragraph (7) of subdivision (a) of Section 65583, or has failed to demonstrate that the identified zone or zones can accommodate at least one emergency shelter, as required by paragraph (4) of subdivision (a) of Section 65583, then this paragraph shall not be utilized to disapprove or conditionally approve an emergency shelter proposed for a site designated in any element of the general plan for industrial, commercial, or multifamily residential uses. In any action in court, the burden of proof shall be on the local agency to show that its housing element does satisfy the requirements of paragraph (4) of subdivision (a) of Section 65583.

(e) Nothing in this section shall be construed to relieve the local agency from complying with the Congestion Management Program required by Chapter 2.6 (commencing with Section 65088) of Division 1 of Title 7 or the California Coastal Act (Division 20 (commencing with Section 30000) of the Public Resources Code). Neither shall anything in this section be construed to relieve the local agency

from making one or more of the findings required pursuant to Section 21081 of the Public Resources Code or otherwise complying with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(f) (1) Nothing in this section shall be construed to prohibit a local agency from requiring the development project to comply with objective, quantifiable, written development standards, conditions, and policies appropriate to, and consistent with, meeting the jurisdiction's share of the regional housing need pursuant to Section 65584. However, the development standards, conditions, and policies shall be applied to facilitate and accommodate development at the density permitted on the site and proposed by the development.

(2) Nothing in this section shall be construed to prohibit a local agency from requiring an emergency shelter project to comply with objective, quantifiable, written development standards, conditions, and policies that are consistent with paragraph (4) of subdivision (a) of Section 65583 and appropriate to, and consistent with, meeting the jurisdiction's need for emergency shelter, as identified pursuant to paragraph (7) of subdivision (a) of Section 65583. However, the development standards, conditions, and policies shall be applied by the local agency to facilitate and accommodate the development of the emergency shelter project.

(3) This section does not prohibit a local agency from imposing fees and other exactions otherwise authorized by law that are essential to provide necessary public services and facilities to the development project or emergency shelter.

(g) This section shall be applicable to charter cities because the Legislature finds that the lack of housing, including emergency shelter, is a critical statewide problem.

(h) The following definitions apply for the purposes of this section:

(1) "Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors.

(2) "Housing development project" means a use consisting of any of the following:

(A) Residential units only.

(B) Mixed-use developments consisting of residential and nonresidential uses in which nonresidential uses are limited to neighborhood commercial uses and to the first floor of buildings that are two or more stories. As used in this paragraph, "neighborhood commercial" means small-scale general or specialty stores that furnish goods and services primarily to residents of the neighborhood.

(C) Transitional housing or supportive housing.

(3) "Housing for very low, low-, or moderate-income households" means that either (A) at least 20 percent of the total units shall be sold or rented to lower income households, as defined in Section 50079.5 of the Health and Safety Code, or (B) 100 percent of the units shall be sold or rented to moderate-income households as defined in Section 50093 of the Health and Safety Code, or middle-income households, as defined in Section 65008 of this code. Housing units targeted for lower income households shall be made available at a monthly housing cost that does not exceed 30 percent of 60 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the lower income eligibility limits are based. Housing units targeted for

persons and families of moderate income shall be made available at a monthly housing cost that does not exceed 30 percent of 100 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the moderate-income eligibility limits are based.

(4) "Area median income" means area median income as periodically established by the Department of Housing and Community Development pursuant to Section 50093 of the Health and Safety Code. The developer shall provide sufficient legal commitments to ensure continued availability of units for very low or low-income households in accordance with the provisions of this subdivision for 30 years.

(5) "Disapprove the development project" includes any instance in which a local agency does either of the following:

(A) Votes on a proposed housing development project application and the application is disapproved.

(B) Fails to comply with the time periods specified in subparagraph (B) of paragraph (1) of subdivision (a) of Section 65950. An extension of time pursuant to Article 5 (commencing with Section 65950) shall be deemed to be an extension of time pursuant to this paragraph.

(i) If any city, county, or city and county denies approval or imposes restrictions, including design changes, a reduction of allowable densities or the percentage of a lot that may be occupied by a building or structure under the applicable planning and zoning in force at the time the application is deemed complete pursuant to Section 65943, that have a substantial adverse effect on the viability or affordability of a housing development for very low, low-, or moderate-income households, and the denial of the development or the imposition of restrictions on the development is the subject of a court action which challenges the denial, then the burden of proof shall be on the local legislative body to show that its decision is consistent with the findings as described in subdivision (d) and that the findings are supported by substantial evidence in the record.

(j) When a proposed housing development project complies with applicable, objective general plan and zoning standards and criteria, including design review standards, in effect at the time that the housing development project's application is determined to be complete, but the local agency proposes to disapprove the project or to approve it upon the condition that the project be developed at a lower density, the local agency shall base its decision regarding the proposed housing development project upon written findings supported by substantial evidence on the record that both of the following conditions exist:

(1) The housing development project would have a specific, adverse impact upon the public health or safety unless the project is disapproved or approved upon the condition that the project be developed at a lower density. As used in this paragraph, a "specific, adverse impact" means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete.

(2) There is no feasible method to satisfactorily mitigate or avoid the adverse impact identified pursuant to paragraph (1), other than the disapproval of the housing development project or the approval of the project upon the condition that it be developed at a

lower density.

(k) The applicant or any person who would be eligible to apply for residency in the development or emergency shelter may bring an action to enforce this section. If in any action brought to enforce the provisions of this section, a court finds that the local agency disapproved a project or conditioned its approval in a manner rendering it infeasible for the development of an emergency shelter, or housing for very low, low-, or moderate-income households, including farmworker housing, without making the findings required by this section or without making sufficient findings supported by substantial evidence, the court shall issue an order or judgment compelling compliance with this section within 60 days, including, but not limited to, an order that the local agency take action on the development project or emergency shelter. The court shall retain jurisdiction to ensure that its order or judgment is carried out and shall award reasonable attorney's fees and costs of suit to the plaintiff or petitioner who proposed the housing development or emergency shelter, except under extraordinary circumstances in which the court finds that awarding fees would not further the purposes of this section. If the court determines that its order or judgment has not been carried out within 60 days, the court may issue further orders as provided by law to ensure that the purposes and policies of this section are fulfilled, including, but not limited to, an order to vacate the decision of the local agency, in which case the application for the project, as constituted at the time the local agency took the initial action determined to be in violation of this section, along with any standard conditions determined by the court to be generally imposed by the local agency on similar projects, shall be deemed approved unless the applicant consents to a different decision or action by the local agency.

(1) If the court finds that the local agency (1) acted in bad faith when it disapproved or conditionally approved the housing development or emergency shelter in violation of this section and (2) failed to carry out the court's order or judgment within 60 days as described in subdivision (k), the court in addition to any other remedies provided by this section, may impose fines upon the local agency that the local agency shall be required to deposit into a housing trust fund. Fines shall not be paid from funds that are already dedicated for affordable housing, including, but not limited to, redevelopment or low- and moderate-income housing funds and federal HOME and CDBG funds. The local agency shall commit the money in the trust fund within five years for the sole purpose of financing newly constructed housing units affordable to extremely low, very low, or low-income households. For purposes of this section, "bad faith" shall mean an action that is frivolous or otherwise entirely without merit.

(m) Any action brought to enforce the provisions of this section shall be brought pursuant to Section 1094.5 of the Code of Civil Procedure, and the local agency shall prepare and certify the record of proceedings in accordance with subdivision (c) of Section 1094.6 of the Code of Civil Procedure no later than 30 days after the petition is served, provided that the cost of preparation of the record shall be borne by the local agency. Upon entry of the trial court's order, a party shall, in order to obtain appellate review of the order, file a petition within 20 days after service upon it of a written notice of the entry of the order, or within such further time not exceeding an additional 20 days as the trial court may for good

cause allow. If the local agency appeals the judgment of the trial court, the local agency shall post a bond, in an amount to be determined by the court, to the benefit of the plaintiff if the plaintiff is the project applicant.

(n) In any action, the record of the proceedings before the local agency shall be filed as expeditiously as possible and, notwithstanding Section 1094.6 of the Code of Civil Procedure or subdivision (m) of this section, all or part of the record may be prepared (1) by the petitioner with the petition or petitioner's points and authorities, (2) by the respondent with respondent's points and authorities, (3) after payment of costs by the petitioner, or (4) as otherwise directed by the court. If the expense of preparing the record has been borne by the petitioner and the petitioner is the prevailing party, the expense shall be taxable as costs.

(o) This section shall be known, and may be cited, as the Housing Accountability Act.

**65589.8.** A local government which adopts a requirement in its housing element that a housing development contain a fixed percentage of affordable housing units, shall permit a developer to satisfy all or a portion of that requirement by constructing rental housing at affordable monthly rents, as determined by the local government.

Nothing in this section shall be construed to expand or contract the authority of a local government to adopt an ordinance, charter amendment, or policy requiring that any housing development contain a fixed percentage of affordable housing units.



**Attachment 2**

**Background Material**

Attachment 2 Includes:

State HCD Comment Letter (March 2007)

Goleta Inclusionary Zoning Feasibility Study (Economic and Planning Systems, Inc. Study, April 2009)

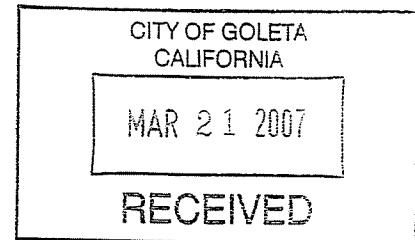
**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF HOUSING POLICY DEVELOPMENT**

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March 19, 2007

Mr. Daniel Singer, City Manager  
City of Goleta  
130 Cremona Drive, Suite B  
Goleta, CA 93117

**RE: Review of the City of Goleta's Adopted Housing Element**

Dear Mr. Singer:

Thank you for submitting Goleta's housing element, adopted on October 2, 2006 and received for review on December 22, 2006. The Department is required to review adopted housing elements and report the findings to the locality pursuant to Government Code Section 65585(h). Pursuant to Government Code Section 65585(c), the Department has also received and considered third party comments from the Goleta Valley Chamber of Commerce and the Goleta Housing Leadership Council. Telephone conversations with Ms. Anne Wells, Senior Planner, facilitated the review.

The City's responses to the Department's March 27, 2006 findings are found in both the adopted element and a 15-page document attached to the City's cover letter, dated December 21, 2006 (i.e., Attachment "B"). The adopted element, along with the responses in Attachment "B", address some of statutory requirements described in the Department's March 2006 review. For example, Tables 10A-13 through 10A-15 list projects and quantify the number of affordable units (i.e., 131) that have been approved or are in final stages of the approval process.

However, the Department finds the element continues to require significant revisions to comply with State housing element law (Article 10.6 of the Government Code). For example, the element still does not adequately demonstrate the projected residential densities and buildout capacities on the identified sites can be realistically achieved and implementation of other general plan policies or new zoning ordinance standards will not unduly constrain housing development. As discussed with Ms. Wells, a number of housing programs also require more definitive implementation timelines (i.e., month and year). As also discussed with Ms. Wells all revised analyses, descriptions, and explanations contained in Attachment "B" must be formally incorporated into the housing element.

Mr. Daniel Singer, Director  
Page 2

The Department remains committed to assisting the City in addressing all statutory requirements. If you have any questions or wish to schedule another site visit or meeting, please contact Don Thomas, of our staff at (916) 445-5854.

Sincerely,

A handwritten signature in black ink that reads "Cathy E. Creswell". The signature is written in a cursive style with a large, prominent "C" at the beginning.

Cathy E. Creswell  
Deputy Director

Enclosure

cc: Steve Chase, Director, Planning and Environmental Services  
Kristen Amyx, President/CEO, Goleta Valley Chamber of Commerce  
Jennifer McGovern, Coordinator, Goleta Housing Leadership Council

## APPENDIX CITY OF GOLETA

The following changes would bring the City of Goleta's housing element into compliance with Article 10.6 of the Government Code. The supporting section of the Government Code is cited to accompany each recommended change.

Housing element technical assistance information is available on the Department's website at: [www.hcd.ca.gov](http://www.hcd.ca.gov). Refer to the Division of Housing Policy Development and the section pertaining to State Housing Planning. Among other resources, the Housing Elements section contains the Department's publication, *Housing Element Questions and Answers (Qs & As)* and the Government Code addressing State housing element law.

### **A. Housing Needs, Resources, and Constraints**

1. *Include an inventory of land suitable for residential development, including sites having the potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites (Section 65583(a)(3) and 65583.2).*

No amendments were made in the adopted element nor do the responses in Attachment "B" adequately demonstrate the medium and high density sites identified in the City's land inventory (Table 10A-16) are suitable and can realistically be developed at densities sufficient to accommodate the housing needs of lower-income households in the current planning period (see the Department's March 27, 2006 review).

For example, application of the City's development standards is critical in determining whether the projected buildout capacities can actually be achieved. The Department recognizes the City is in midst of a comprehensive zoning ordinance update, which will include adopting a new set of residential development standards. It is the Department's understanding that City staff is currently working on a set of "interim" amendments that will be processed during the Spring and Summer of 2007, with adoption scheduled for no later than December 2007.

According to the City's Attachment "B" (page B-9), all new development standards will be consistent with those listed in Table 2-1 of the land-use element. Therefore, the element must describe and analyze how these standards will encourage and facilitate residential development affordable to lower-income households. For example, the element should describe how the 30 and 40 percent lot area maximums described in Table 2-1 (applicable to the medium and high density zones) will not impede development at densities appropriate to accommodate the housing needs of lower-income households.

Further, as part of its site suitability analysis, now would be an opportune time for the City to examine and evaluate the viability of expanding the land inventory to include new sites that have the potential to provide development opportunities for a variety of housing types for all income groups.

Inclusionary Housing: The adopted element generally describes eight housing policies and two implementation actions intended to address and mitigate the impacts of the City's inclusionary housing requirement. While Policy 11.8 commits the City to providing incentives (e.g., increased FAR and lot coverage ratios) through Policy HE 11.8, the element still does not adequately demonstrate that these incentives will be sufficient to ensure that development of the City's five key multifamily zoned sites will not be unduly constrained by the 55 percent inclusionary housing requirement (see the Department's previous review).

2. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels and for persons with disabilities, including land use controls, building codes and their enforcement, site improvements, fees and other exactions and local processing and permit procedures (Section 65583(a)(4)).*

Inclusionary: The proposed 55 percent inclusionary housing policy (HE 11), represents one of the highest percentage inclusionary requirements in the State, and will significantly impact the cost and supply of housing in Goleta. As indicated above, while the element includes programs to provide some incentives and concessions to off-set the acknowledged impacts, the element still does not include an analysis that adequately demonstrates the inclusionary requirements will not constrain or preclude housing development on the identified DR-20 zoned sites (sites 20, 21, 24, 25 and 26) (see the Department's previous review).

On- and Off-Site Improvements: The City's Attachment "B" indicates the installation of on- and off-site improvements (e.g., street and sidewalk widths, curb, and gutter requirements) have a direct nexus to development-related impacts. However, the element must still be expanded to include descriptions and analyses of the improvement standards the City is considering as part of the forthcoming comprehensive zoning ordinance update. See the Department's previous review, as well as the Department's recently updated *Qs and As* technical assistance publication.

Fees: The element was not revised or expanded to include an analysis of the impact of the City's planning and improvement fees on the cost and supply of housing. See the Department's previous review, as well as the Department's *Qs and As*.

## **B. Housing Programs**

- 1 *Include a program which sets forth a five-year schedule of actions the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land use and development controls, provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs when available. The program shall include an identification of the agencies and officials responsible for the implementation of the various actions (Section 65583(c)).*

As indicated in the Department's previous review and discussed with Planning and Environmental Services staff, the element's key policies and programs must clearly describe the City's specific role in implementation and include definitive timelines and/or completion dates. Especially critical are those programs being proposed to address the adequate sites requirement, special needs housing (homelessness and farmworkers), or to mitigate identified governmental constraints (e.g., rezoning and comprehensive zoning ordinance update); see the Department's March 2006 review.

2. *Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities, including sewer collection and treatment, domestic water supply, and septic tanks and wells, needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobilehomes, housing for emergency shelters and transitional housing (Section 65583(c)(1)).*

As noted previously, Goleta requires a more thorough description and analysis of the City's sites and potential governmental constraints. As indicated in Finding A.1, the realistic development potential (and buildout capacity) of the identified sites, particularly the DR-20 zoned sites, is largely dependant on how the City implements and applies its newly proposed residential development standards. However, no revisions were made to the applicable housing element programs, nor do the changes in Attachment "B" adequately address this statutory requirement (see the Department's March 2006 review).

3. *Include program actions to address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing for all income levels (Section 65583(c)(3)).*

As indicated in the Department's previous reviews, without a complete description and analysis of potential governmental constraints as required in A.2, it is not possible to evaluate the adequacy of the proposed programs to mitigate the identified governmental constraints. No revisions were made to the required constraints analysis in the housing element, nor do the changes in Attachment "B" adequately address this statutory requirement. The element continues to require revision to adequately address the statutory requirement to mitigate potential constraints (e.g., Inclusionary and Residential Design Guidelines); see the Department's March 2006 review.

### **C. General Plan Consistency**

*The housing element shall describe the means by which consistency will be achieved with other general plan elements and community goals (Section 65583(c)). When governmental constraints are identified, the element must include program actions to address, mitigate or, remove to allow the maintenance, improvement, and development of housing for all income levels (Section 65583(c)(3)).*

According to the City's Attachment "B", amendments to certain noise, conservation, and transportation element polices has eliminated all inconsistencies with housing element goals, programs, and objectives.

In particular, revised traffic modeling (conducted in March 2006) has resulted in modifications to projected roadway capacity improvements, which resulted in fewer projected occurrences of roadways and intersections operating below LOS "C" (Policy TE 4.2). These revised policy modifications resulted in the City reaching the following conclusion, "there are no transportation policies that create a conflict with housing potential" (page B-13 of Attachment "B").

However, it appears Policy TE-13.4 (Not Fully Funded Traffic Mitigation) would significantly constrain or preclude new development as it states that if improvements are needed to maintain adopted LOS standards and are not funded the City shall take one the following actions, "phase or delay development until such time adequate fiscal resources can be provided " (TE-13.4 (a)). As indicated in the Department's prior review, the element must describe and demonstrate how all policies and programs within the general plan are internally consistent and will not impede implementation of housing element program actions and goals.

#### **D. Public Participation**

*Local governments shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the element shall describe this effort (Section 65583(c)).*

As indicated in the prior review the Department recognizes the City's efforts to solicit public input from the community. However, it appears the City did not make the information described in Attachment "B" available to local stakeholders and other interested parties. Again, the statute requires the element to specifically commit the City to continuing its public engagement throughout the update process.

#### **E. Coastal Zone Localities**

*Document the number of low- and moderate-income units converted or demolished, and the number of replacement units provided (Section 65588).*

The City's Attachment "B" (page B-15) references Table 10A-24 titled, "Approved and Existing Affordable Housing Units in Goleta (2005)". However, the Table does not document whether any low- and moderate-income dwelling within the coastal zone have been "replaced, demolished, and/or converted" since January 1, 1982 (see the Department's prior review).

## **Final Report**

# **Inclusionary Zoning Feasibility Study**

*The Economics of Land Use*



Prepared for:

City of Goleta

Prepared by:

Economic & Planning Systems, Inc.

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April 2009

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## 1. PURPOSE AND INTRODUCTION

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The City of Goleta (City) has retained Economic & Planning Systems, Inc. (EPS) to analyze the feasibility impacts of alternative inclusionary housing policies that would require residential developers to provide a proportion of the units in new projects at various below-market-rate prices. The purpose of this analysis is to assist local decision makers with developing an Inclusionary Housing Ordinance, the goal of which is to ensure that housing is available in the City to meet the needs of the full range of its workforce while still allowing developers to achieve reasonable financial returns. As discussed in Agenda Item C.3 from the June 3, 2008 City Council meeting, Council had requested that staff evaluate the financial feasibility of requiring 30 percent inclusionary housing on the Mid-Hollister corridor Affordable Housing Overlay Sites, and a lower inclusionary housing percentage in the balance of the City.

At the direction of City staff, EPS modeled a variety of inclusionary housing program options, incorporating different mixes of income levels within each option. EPS contacted Santa Barbara County developers for development cost assumptions,<sup>1</sup> accessed available market data for market home pricing, and calculated affordability-restricted prices based on a series of assumptions regarding income, down payment, and loan product. Base assumption data are provided in **Appendix A** to this report.

This study was intended to compare the relative impacts of alternative inclusionary programs on generic development projects in the City of Goleta, not to establish a specific program recommendation or an in-lieu fee. The economics of any given development project in Goleta will vary according to the project's location, product types and unit mix, market timing, developer and land owner motivations, etc. As such, no results of this study should be interpreted as definitively indicating the absolute value of land or feasibility impacts of an inclusionary program on any given project that may be proposed in the future. Moreover, this study looks only at for-sale projects, but rental projects would also be affected by inclusionary programs. Because the feasibility impacts of an inclusionary program for rental projects are realized over time, and can fluctuate based on the performance of the market-rate units as well as the affordable units, such impacts can be more difficult to estimate at a given point in time. Still, it is worth noting that many communities require inclusionary housing for rental as well as for-sale developments, and often require the rental inclusionary units to be offered at lower income levels than the for-sale inclusionary units. Finally, the implementation terms of any inclusionary housing policy—such as how long the units are deed-restricted, whether the sellers can share in appreciation, etc.—can be critical to the program's success, but often have little effect on the project feasibility for the initial developer because they only receive revenue from the initial sale. As such, definitive assumptions regarding those implementation issues were not critical for this current study.

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<sup>1</sup> City staff provided contact information for several residential developers active in Santa Barbara County. Only one—Martin/Farrell Homes—elected to assist EPS and the City by providing feedback on cost assumptions for this study.

## 2. FINDINGS

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The City requested that EPS test the feasibility impacts of inclusionary programs that would require from 15 to 30 percent affordable units in new developments. The City further requested that EPS apply different inclusionary standards to different illustrative projects; Project A represents a typical subdivision of single-family detached and townhome units, while Project B represents a development of all townhome units on the Mid-Hollister Opportunity Site. Based on the City's instruction, the Project B scenario is assumed to require units at lower income levels than would the Project A scenario.

Under each scenario, EPS calculated the project's "residual land value" as a metric for determining the direction and scale of the feasibility impacts of alternative inclusionary housing programs.<sup>2</sup> Residual land value represents the amount a developer could afford to pay for the land, and is calculated as the difference between the costs of development for the overall project (including a developer profit margin) and the values the developer could achieve through sale of the homes being built. This measure illustrates the effect that inclusionary housing requirements are likely to have on the value of underlying land, assuming that developers will require a fixed minimum profit margin on their investment.

Any time a regulation adds costs to development (such as impact fees) or restrains revenues (such as requiring below-market-rate units), the residual land value of a given project is reduced unless there are offsetting increases in the market value of the development. As shown in the summary table below, the least aggressive inclusionary program for each Project (Option 1) is likely to diminish the per-acre land value by 16 percent for Project A and 22 percent for Project B when compared to a project that would sell all units at market rates. Options 2 and 3 further reduce the residual land values because they require more affordable units to be sold at prices that are lower than the costs of construction. The overall residual land values for these more aggressive inclusionary requirements remain positive, however, because the market-rate units (which comprise the majority of all units in each scenario) generate sufficient *positive* residual land value to offset the *negative* residual land values associated with each affordable unit.

The actual effect on the feasibility of development will depend on whether landowners are willing to sell their land for the prices reflecting the altered affordable housing requirements. If they are willing to adjust the land prices they seek, then developers can still make adequate profits to encourage development under any of the inclusionary options on either project. If landowners do *not* adjust their price expectations—either because of the price they had previously paid for the land or because they can achieve higher land values by selling the land for other more lucrative uses—then only those inclusionary options that yield residual land values that meet the

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<sup>2</sup> "Cash-on-Cash" measures were not used for this analysis, because this measure requires assumptions about the debt/equity ratio which may vary substantially for any given project. Developer profit margins also were not used because they would require estimates of the cost of acquiring land for each development, and such land acquisition costs will vary significantly based on the sites' location, any existing uses on site, and the motivations of the property owners.

landowners' value expectations will prove feasible. Each landowner may have different expectations or ability to adjust their land pricing requirements, so it is difficult to determine with certainty whether the inclusionary options will render all, some, or no residential development projects infeasible in Goleta. What is clear is that the more aggressive inclusionary options (Options 2 and 3 for each Project) pose a greater burden on feasibility than does Option 1. It also appears, however, that the higher-density development allowed on the Mid-Hollister Opportunity Sites can yield higher residual land values than on a typical site elsewhere in the City, and that the City should be able to impose a more aggressive inclusionary requirement (more units at lower price points) on the Mid-Hollister sites.

### Summary of Feasibility Impact Findings by Inclusionary Program

Project Description	Inclusionary Requirements		Residual Land Value [1]	
	Option	Mix of Affordable Units	Per Acre	Diff. from Market
<b>Project A</b>				
<i>Typical 80-unit project with mix of detached (all market) and attached units. Mix of bedroom sizes with affordable units apportioned throughout bedroom sizes.</i>	Market	100% market-rate units	\$2,632,004	
	Option 1	15% inclusionary: 7% low + 8% mod	\$2,217,997	-16%
	Option 2	20% inclusionary: 10% low + 10% mod	\$2,071,083	-21%
	Option 3	30% inclusionary: 15% low + 15% mod	\$1,777,254	-32%
<b>Project B</b>				
<i>Mid-Hollister Opportunity site with all attached units, slightly smaller unit sizes and 160 units total. Affordable units are apportioned through all unit sizes.</i>	Market	100% market-rate units	\$4,693,071	
	Option 1	15% inclusionary: 4% very low + 4% low + 7% mod	\$3,680,542	-22%
	Option 2	20% inclusionary: 5% very low + 5% low + 10% mod	\$3,434,674	-27%
	Option 3	30% inclusionary: 7% very low + 8% low + 15% mod	\$2,825,474	-40%

[1] Total development costs include developer profit of 15% of total development cost excluding land.

The remainder of this report describes, in greater detail, the methodology that led to the above conclusions.

### 3. METHODOLOGY

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To estimate the feasibility impacts of alternative inclusionary housing programs, EPS has worked with City staff to define a “typical” development concept for each type of site, and constructed development pro formas that compare the estimated costs of development to the revenues that can be generated by each such project.

#### Unit Mix

The City requested the analysis of two prototype projects with a mix of unit types as displayed in **Table 1**. Both prototype projects are assumed to be eight acres in size. Project A is an 80-unit project on eight acres with a combination of single-family detached and single-family attached (i.e., townhome) dwelling units. This assumed density of 10 units per acre reflects the median density allowed on seven major developable housing sites remaining in the City, which range from eight to 15 units per acre (excluding the Mid-Hollister Housing Opportunity sites at 20 units per acre). EPS distributed the affordability-restricted units across the unit types for the attached units only, as directed by City staff. The assumption is that all detached units would be sold at market rate. Affordability levels for Project A range from 15 percent restricted units in Option 1 to 30 percent restricted units in Option 3.

Project B, based on the Mid-Hollister Opportunity Site, is a 160-unit, single-family attached residential development with no detached product. As in Project A, the affordability levels in Project B range from 15 percent in Option 1 to 30 percent in Option 3. However, Project B includes homes for very low-income families, while Project A does not.

In all cases, EPS distributed the affordable units across unit types in a similar proportion to the availability of those units. That is to say, it was not assumed that all of the affordable units would be the ones with the smallest number of bedrooms. If 40 percent of the units in the development are three-bedroom units, then an attempt was made to disburse 40 percent of the low-income units among the three-bedroom units. Units were rounded to whole units in all cases.

#### Affordable Sales Prices

EPS calculated the revenue a developer could expect to receive for the income-restricted units by employing assumptions regarding the amount of income available for housing costs, mortgage type, down payment, and other housing-related costs. **Tables 2** and **3** display both the affordable home price calculations and the underlying assumptions. Gross yearly income limits are taken from the 2008 State Housing and Community Development figures published for Santa Barbara County. EPS assumes that low- and moderate-income households can be expected to spend 35 percent of their incomes on housing costs, while very low-income households can be expected to spend 30 percent of their incomes on housing costs.

**Table 1**  
**City of Goleta Inclusionary Housing Analysis**  
**Unit Mix by Project Prototype**

Unit Type/ Affordability	Project A						Project B			
	Unit		Affordability Mix			Affordability Mix				
	Mix	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3			
<b>Affordability Scenario</b>										
<b>SFR Detached</b>										
<b>3 bedroom</b>	50.0%	40	40	40	40	0.0%	N/A	N/A	N/A	
Very Low		0	0	0	0					
Low		0	0	0	0					
Moderate		0	0	0	0					
Market		40	40	40	40					
		15% inclusionary: 7% low + 8% mod			20% inclusionary: 10% low + 10% mod			30% inclusionary: 15% low + 15% mod		
		15% inclusionary: 4% very low + 4% low + 7% mod			20% inclusionary: 5% very low + 5% low + 10% mod			30% inclusionary: 7% very low + 8% low + 15% mod		
<b>Multifamily Attached</b>										
<b>3 bedroom</b>	20.0%	16	16	16	16	40.0%	64	64	64	
Very Low		0	0	0	0		3	3	4	
Low		2	3	5	5		3	3	5	
Moderate		2	3	5	5		4	6	10	
Market		12	10	6	6		54	52	45	
		15% inclusionary: 22			22			88		
<b>2 bedroom</b>	27.5%	22	22	22	22	55.0%	88	88	88	
Very Low		0	0	0	0		4	5	6	
Low		3	4	6	6		4	5	7	
Moderate		3	4	6	6		6	9	13	
Market		16	14	10	10		74	69	62	
		2.5%			2			8		
<b>1 bedroom</b>	2.5%	2	2	2	2	5.0%	8	8	8	
Very Low		0	0	0	0		0	0	1	
Low		1	1	1	1		0	0	1	
Moderate		1	1	1	1		1	1	1	
Market		0	0	0	0		7	7	5	
<b>Total Units</b>	<b>100%</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>100%</b>	<b>160</b>	<b>160</b>	<b>160</b>	

Source: City of Goleta, EPS

**Table 2**  
**City of Goleta Inclusionary Housing Analysis**  
**Affordable Sales Prices -Detached Unit**

Item	Assumptions	Income Level											
		50% of Median				80% of Median				120% of Median			
		2	3	4	2	3	4	2	3	4	2	3	4
Persons per Household													
Gross Yearly Income		\$31,100	\$35,000	\$38,900	\$49,800	\$56,050	\$62,250	\$64,400	\$72,500	\$80,500	\$80,500	\$80,500	\$80,500
Income Available for Housing	30% - 35% of annual income	\$9,330	\$10,500	\$11,670	\$17,430	\$19,618	\$21,788	\$22,540	\$25,375	\$28,175	\$25,375	\$25,375	\$28,175
Homeowners Assoc. Dues	\$115 Monthly	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)	(\$1,380)
Annual Property Tax Payments	approx. 1% of Sales Price	(\$935)	(\$1,080)	(\$1,225)	(\$1,960)	(\$2,240)	(\$2,520)	(\$2,620)	(\$2,980)	(\$3,340)	(\$2,980)	(\$2,980)	(\$3,340)
Annual Insurance Payment		(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)
<b>Gross Max. Annual Mortgage Payment</b>		<b>\$6,315</b>	<b>\$7,340</b>	<b>\$8,365</b>	<b>\$13,390</b>	<b>\$15,298</b>	<b>\$17,188</b>	<b>\$17,840</b>	<b>\$20,315</b>	<b>\$22,755</b>	<b>\$17,840</b>	<b>\$20,315</b>	<b>\$22,755</b>
Interest Rate	6.3% Fixed, 30 Year Term												
<b>Maximum Supportable Debt</b>		<b>\$85,500</b>	<b>\$99,300</b>	<b>\$113,200</b>	<b>\$181,200</b>	<b>\$207,000</b>	<b>\$232,600</b>	<b>\$241,500</b>	<b>\$275,000</b>	<b>\$308,000</b>	<b>\$241,500</b>	<b>\$275,000</b>	<b>\$308,000</b>
Down Payment	5% of Sales Price	\$4,500	\$5,226	\$5,958	\$9,537	\$10,895	\$12,242	\$12,711	\$14,474	\$16,211	\$12,711	\$14,474	\$16,211
<b>Maximum Supportable Purchase Price (Debt + Equity)</b>		<b>\$90,000</b>	<b>\$104,526</b>	<b>\$119,158</b>	<b>\$190,737</b>	<b>\$217,895</b>	<b>\$244,842</b>	<b>\$254,211</b>	<b>\$289,474</b>	<b>\$324,211</b>	<b>\$254,211</b>	<b>\$289,474</b>	<b>\$324,211</b>

Source: State Dept. of Housing and Community Development, February 2008, Martini/Farrell Homes, and EPS.



EPS used the top of each income range as the basis for the amount of income available for housing costs—for instance, families earning between 51 and 80 percent of median income are characterized as “low-income,” and EPS has assumed the affordable sales price based on 80 percent of median income rather than some intermediate figure (such as 65 percent). Pricing units at the top of the affordability range can reduce the feasibility impacts of the inclusionary program, but will limit the number of potential buyers because incomes cannot exceed a certain level (e.g., 80 percent of County median) but must be sufficient to qualify for the requisite mortgage. In practice, some affordable unit prices may need to be set below the maximum for the targeted income range or calculated on a case-by-case basis based on actual household incomes, or the City may choose to stipulate maximum income levels within each income category as the inclusionary program is developed.

Income levels on which the affordable prices were calculated were based on the household sizes of number of bedrooms plus one. For example, the price of a two-bedroom unit for a low-income household was based on the income of a three-person household earning 80 percent of County median income.

Affordable sales prices for detached units were calculated (see **Table 2**) but were not used for purposes of the feasibility calculation. All affordable units were modeled as attached dwellings, for which affordable prices were calculated on **Table 3**.

## Residual Land Value Calculation

Developers frequently assess the financial feasibility of undertaking a development by calculating its residual land value. The residual land value is calculated by estimating the market value of the product, in this case a home, and subtracting the costs of development, including an appropriate developer profit margin but excluding land costs. The result is considered to be the actual value of the land for that particular project. It is not unusual in some redevelopment areas or in the case of affordable housing for such analyses to result in a negative land value, which would signify the need for public subsidy for priority projects.

As displayed in **Tables 4** through **7**, EPS calculated the residual land value for each unit prototype at the full range of affordability levels. The calculations demonstrate that in virtually every instance, the cost to develop the affordable unit is higher than the estimated income from selling the unit (i.e., yields a negative residual land value). However, because market-rate units do generate significant positive land values and comprise the majority of the project’s units under each inclusionary option, the overall residual land value can remain positive.

**Tables 8** and **9** aggregate the residual land values of each of the unit prototypes to calculate the total residual land value for the development. Both development prototypes are assumed to be eight acres in size. **Table 10** presents a summary of the analysis described above. This analysis indicates that the Mid-Hollister Opportunity Sites (Project B) can realize higher land values than a typical site in Goleta (Project A) because of the higher density of development allowed on the former sites. As shown, it appears that even a 30 percent inclusionary housing requirement on Project B can yield higher land values than can be realized under a 100 percent market-rate on a Project A site, because the Opportunity Sites can be developed with substantially more density.

Comparing the residual land values with the inclusionary programs to what might be achieved with an all-market-rate project, the residual land value for Project A would be reduced by 16 to 32 percent depending on the imposed level of affordable units. For Project B, the impact of the inclusionary requirements on the residual land value is to reduce it by 22 to 40 percent. Still, as noted above, it appears that high-density housing development on the Mid-Hollister Opportunity Sites can yield higher residual land values than standard sites throughout the City, even with a more aggressive inclusionary housing requirement.

Three appendices are also attached to the report:

- **Appendix A** presents the base assumptions for the feasibility calculations.
- **Appendix B** presents the data used to calculate the market value of the units.
- **Appendix C** presents the data used to calculate the per unit fee assumptions.

**Table 3**  
**City of Goleta Inclusionary Housing Analysis**  
**Affordable Sales Prices - Attached Unit**

Item	Assumptions	Income Level								
		50% of Median		80% of Median		120% of Median				
		2	3	4	2	3	4	2	3	4
Persons per Household										
Gross Yearly Income		\$31,100	\$35,000	\$38,900	\$49,800	\$56,050	\$62,250	\$64,400	\$72,500	\$80,500
Income Available for Housing	30% - 35% of annual income	\$9,330	\$10,500	\$11,670	\$17,430	\$19,618	\$21,788	\$22,540	\$25,375	\$28,175
Homeowners Assoc. Dues	\$300 Monthly	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)	(\$3,600)
Annual Property Tax Payments	approx. 1% of Sales Price	(\$710)	(\$860)	(\$1,010)	(\$1,750)	(\$2,030)	(\$2,300)	(\$2,400)	(\$2,760)	(\$3,120)
Annual Insurance Payment		(\$170)	(\$170)	(\$170)	(\$170)	(\$170)	(\$170)	(\$170)	(\$170)	(\$170)
<b>Gross Max. Annual Mortgage Payment</b>		<b>\$4,850</b>	<b>\$5,870</b>	<b>\$6,890</b>	<b>\$11,910</b>	<b>\$13,818</b>	<b>\$15,718</b>	<b>\$16,370</b>	<b>\$18,845</b>	<b>\$21,285</b>
Interest Rate	6.3% Fixed, 30 Year Term									
<b>Maximum Supportable Debt</b>		\$65,600	\$79,400	\$93,300	\$161,200	\$187,000	\$212,700	\$221,600	\$255,100	\$288,100
Down Payment	5% of Sales Price	\$3,453	\$4,179	\$4,911	\$8,484	\$9,842	\$11,195	\$11,663	\$13,426	\$15,163
<b>Maximum Supportable Purchase Price (Debt + Equity)</b>		<b>\$69,053</b>	<b>\$83,579</b>	<b>\$98,211</b>	<b>\$169,684</b>	<b>\$196,842</b>	<b>\$223,895</b>	<b>\$233,263</b>	<b>\$268,526</b>	<b>\$303,263</b>

Source: State Dept. of Housing and Community Development, February 2008, Martin/Farrell Homes, and EPS.

**Table 4**  
**City of Goleta Inclusionary Housing Analysis**  
**Residual Land Value Calculation - Market Rate**

Item	Market Rate Units					
	Project A			Project B		
	Detached 3 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom
<b>Development Program Assumptions</b>						
Average Net Unit Size (Sq. Ft.)	1,550	1,475	1,250	1,475	1,250	1,050
<b>Cost Assumptions</b>						
Construction Costs per Sq. Ft.	\$87	\$96	\$96	\$96	\$96	\$96
Construction Costs per Unit	\$134,850	\$141,158	\$119,625	\$141,158	\$119,625	\$100,485
Site Improvements per Unit	\$60,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Soft Costs per Unit	\$58,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Fees per Unit	\$53,859	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701
Financing Costs per Unit	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
<b>Subtotal Cost Per Unit (excl. profit)</b>	<b>\$332,709</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>
Developer Profit as a % of Total Costs	15%	15%	15%	15%	15%	15%
Developer Profit per Unit	\$49,906	\$40,479	\$37,249	\$40,479	\$37,249	\$34,378
<b>Total Cost per Unit</b>	<b>\$382,615</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>
<b>Market Value - Per Sq. Ft.</b>	<b>\$435</b>	<b>\$398</b>	<b>\$398</b>	<b>\$398</b>	<b>\$398</b>	<b>\$398</b>
<b>- Per Unit</b>	<b>\$674,363</b>	<b>\$586,709</b>	<b>\$497,211</b>	<b>\$586,709</b>	<b>\$497,211</b>	<b>\$417,657</b>
<b>Residual Land Value</b>	<b>\$291,747</b>	<b>\$276,372</b>	<b>\$211,636</b>	<b>\$276,372</b>	<b>\$211,636</b>	<b>\$154,094</b>

Source: State Dept. of Housing and Community Development, February 2008, Martin/Farrell Homes, and EPS.

**Table 5**  
**City of Goleta Inclusionary Housing Analysis**  
**Residual Land Value Calculation - Moderate Income**

Moderate Income Affordable Units
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Item	Project A				Project B			
	Detached 3 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 1 Bedroom
<b>Development Program Assumptions</b>								
Average Net Unit Size (Sq. Ft.)	1,550	1,475	1,250	1,050	1,475	1,250	1,050	
Average Number of Persons per Household	4	4	3	2	4	3	2	
<b>Cost Assumptions</b>								
Construction Costs per Sq. Ft.	\$87	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Construction Costs per Unit	\$134,850	\$141,158	\$119,625	\$100,485	\$141,158	\$119,625	\$100,485	\$100,485
Site Improvements per Unit	\$60,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Soft Costs per Unit	\$58,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Fees per Unit	\$53,859	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701
Financing Costs per Unit	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
<b>Subtotal Cost Per Unit (excl. profit)</b>	<b>\$332,709</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$229,186</b>
Developer Profit as a % of Total Costs	15%	15%	15%	15%	15%	15%	15%	15%
Developer Profit per Unit	\$49,906	\$40,479	\$37,249	\$34,378	\$40,479	\$37,249	\$34,378	\$34,378
<b>Total Cost per Unit</b>	<b>\$382,615</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$263,564</b>
Affordable Price [1]	\$324,211	\$303,263	\$268,526	\$233,263	\$303,263	\$268,526	\$233,263	\$233,263
<b>Residual Land Value</b>	<b>(\$58,405)</b>	<b>(\$7,074)</b>	<b>(\$17,048)</b>	<b>(\$30,301)</b>	<b>(\$7,074)</b>	<b>(\$17,048)</b>	<b>(\$30,301)</b>	<b>(\$30,301)</b>

[1] See Table 2 and Table 3.

Source: State Dept. of Housing and Community Development, February 2008, Martin/Farrell Homes, and EPS.

**Table 6**  
**City of Goleta Inclusionary Housing Analysis**  
**Residual Land Value Calculation - Low Income**

Low Income  
Affordable Units

Item	Project A				Project B			
	Detached 3 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 1 Bedroom
<b>Development Program Assumptions</b>								
Average Net Unit Size (Sq. Ft.)	1,550	1,475	1,250	1,050	1,475	1,250	1,050	
Average Number of Persons per Household	4	4	3	2	4	3	2	
<b>Cost Assumptions</b>								
Construction Costs per Sq. Ft.	\$87	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Construction Costs per Unit	\$134,850	\$141,158	\$119,625	\$100,485	\$141,158	\$119,625	\$100,485	\$100,485
Site Improvements per Unit	\$60,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Soft Costs per Unit	\$58,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Fees per Unit	\$53,859	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701
Financing Costs per Unit	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
<b>Subtotal Cost Per Unit (excl. profit)</b>	<b>\$332,709</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$229,186</b>
Developer Profit as a % of Total Costs	15%	15%	15%	15%	15%	15%	15%	15%
Developer Profit per Unit	\$49,906	\$40,479	\$37,249	\$34,378	\$40,479	\$37,249	\$34,378	\$34,378
<b>Total Cost per Unit</b>	<b>\$382,615</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$263,564</b>
Affordable Price [1]	\$244,842	\$223,895	\$196,842	\$169,684	\$223,895	\$196,842	\$169,684	\$169,684
<b>Residual Land Value</b>	<b>(\$137,773)</b>	<b>(\$86,442)</b>	<b>(\$88,733)</b>	<b>(\$93,879)</b>	<b>(\$86,442)</b>	<b>(\$88,733)</b>	<b>(\$93,879)</b>	<b>(\$93,879)</b>

[1] See Table 2 and Table 3.

Source: State Dept. of Housing and Community Development, February 2008, Martin/Farrell Homes, and EPS.

**Table 7**  
**City of Goleta Inclusionary Housing Analysis**  
**Residual Land Value Calculation - Very Low Income**

Very Low Income  
Affordable Units

Item	Project A				Project B			
	Detached 3 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 3 Bedroom	Attached 2 Bedroom	Attached 1 Bedroom	Attached 1 Bedroom
<b>Development Program Assumptions</b>								
Average Net Unit Size	1,550	1,475	1,250	1,050	1,475	1,250	1,050	
Average Number of Persons per Household	4	4	3	2	4	3	2	
<b>Cost Assumptions</b>								
Construction Costs per Sq. Ft.	\$87	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Construction Costs per Unit	\$134,850	\$141,158	\$119,625	\$100,485	\$141,158	\$119,625	\$100,485	\$100,485
Site Improvements per Unit	\$60,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Soft Costs per Unit	\$58,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Fees per Unit	\$53,859	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701	\$22,701
Financing Costs per Unit	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
<b>Subtotal Cost Per Unit (excl. profit)</b>	<b>\$332,709</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$269,858</b>	<b>\$248,326</b>	<b>\$229,186</b>	<b>\$229,186</b>
Developer Profit as a % of Total Costs	15%	15%	15%	15%	15%	15%	15%	15%
Developer Profit per Unit	\$49,906	\$40,479	\$37,249	\$34,378	\$40,479	\$37,249	\$34,378	\$34,378
<b>Total Cost per Unit</b>	<b>\$382,615</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$310,337</b>	<b>\$285,575</b>	<b>\$263,564</b>	<b>\$263,564</b>
Affordable Price [1]	\$119,158	\$98,211	\$83,579	\$69,053	\$98,211	\$83,579	\$69,053	\$69,053
<b>Residual Land Value</b>	<b>(\$263,458)</b>	<b>(\$212,127)</b>	<b>(\$201,996)</b>	<b>(\$194,511)</b>	<b>(\$212,127)</b>	<b>(\$201,996)</b>	<b>(\$194,511)</b>	<b>(\$194,511)</b>

[1] See Table 2 and Table 3.

Source: State Dept. of Housing and Community Development, February 2008, Martin/Farrell Homes, and EPS.

PROJECT A

Table 8  
City of Goleta Inclusionary Housing Analysis  
Residual Land Value Compilation - Project A

Unit Type/ Affordability	100% Market			Option 1 7% low / 8% moderate			Option 2 10% low / 10% moderate			Option 3 15% low / 15% moderate		
	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value
<i>Mix of Affordable Units</i>												
<b>SFR Detached</b>												
3 bedroom	40		\$11,669,885	40		\$11,669,885	40		\$11,669,885	40		\$11,669,885
Very Low	-	-	-	-	-	-	-	-	-	-	-	-
Low	-	-	-	-	-	-	-	-	-	-	-	-
Moderate	-	-	-	-	-	-	-	-	-	-	-	-
Market	40	\$291,747	\$11,669,885	40	\$291,747	\$11,669,885	40	\$291,747	\$11,669,885	40	\$291,747	\$11,669,885
<b>Multifamily Attached</b>												
3 bedroom	16		\$4,421,953	16		\$3,129,433	16		\$2,483,172	16		\$1,190,651
Very Low	-	-	-	-	-	-	-	-	-	-	-	-
Low	-	-	-	2	(\$86,442)	(\$172,885)	3	(\$86,442)	(\$259,327)	5	(\$86,442)	(\$432,212)
Moderate	-	-	-	2	(\$7,074)	(\$14,148)	3	(\$7,074)	(\$21,222)	5	(\$7,074)	(\$35,369)
Market	16	\$276,372	\$4,421,953	12	\$276,372	\$3,316,465	10	\$276,372	\$2,763,721	6	\$276,372	\$1,658,232
2 bedroom	22		\$4,656,002	22		\$3,068,840	22		\$2,539,787	22		\$1,481,679
Very Low	-	-	-	-	-	-	-	-	-	-	-	-
Low	-	-	-	3	(\$68,733)	(\$206,198)	4	(\$68,733)	(\$354,930)	6	(\$68,733)	(\$532,395)
Moderate	-	-	-	3	(\$17,048)	(\$51,145)	4	(\$17,048)	(\$68,193)	6	(\$17,048)	(\$102,290)
Market	22	\$211,636	\$4,656,002	16	\$211,636	\$3,386,183	14	\$211,636	\$2,962,910	10	\$211,636	\$2,116,365
1 bedroom	2		\$308,187	2		(\$124,180)	2		(\$124,180)	2		(\$124,180)
Very Low	-	-	-	-	-	-	-	-	-	-	-	-
Low	-	-	-	1	(\$93,879)	(\$93,879)	1	(\$93,879)	(\$93,879)	1	(\$93,879)	(\$93,879)
Moderate	-	-	-	1	(\$30,301)	(\$30,301)	1	(\$30,301)	(\$30,301)	1	(\$30,301)	(\$30,301)
Market	2	\$154,094	\$308,187	-	-	-	-	-	-	-	-	-
<b>Totals</b>	80		\$21,056,028	80		\$17,743,978	80		\$16,568,664	80		\$14,218,036
- per Acre			\$2,632,004			\$2,217,997			\$2,071,083			\$1,777,254
- per Unit			\$263,200			\$221,800			\$207,108			\$177,725

Source: EPS



Table 9  
City of Goleta Inclusionary Housing Analysis  
Residual Land Value Compilation - Project B

PROJECT B

Unit Type/ Affordability	100% Market			Option 1 4% very low / 4% low / 7% moderate			Option 2 5% very low / 5% low / 10% moderate			Option 3 7% very low / 8% low / 15% moderate		
	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value	Units	Value Per Unit	Total Land Value
<b>Mix of Affordable Units</b>												
<b>Multifamily Attached</b>												
<b>3 bedroom</b>	<b>64</b>	<b>\$17,687,813</b>	<b>\$1,000,090</b>	<b>64</b>	<b>(\$212,127)</b>	<b>(\$636,380)</b>	<b>64</b>	<b>(\$212,127)</b>	<b>(\$636,380)</b>	<b>64</b>	<b>(\$212,127)</b>	<b>(\$636,380)</b>
Very Low	-	-	(\$636,380)	3	(\$86,442)	(\$259,327)	3	(\$86,442)	(\$259,327)	4	(\$86,442)	(\$342,212)
Low	-	-	(\$259,327)	3	(\$7,074)	(\$28,286)	6	(\$7,074)	(\$42,443)	5	(\$7,074)	(\$35,357)
Moderate	-	-	(\$28,286)	4	\$276,372	\$1,324,092	52	\$276,372	\$14,371,348	10	\$276,372	\$2,763,722
Market	64	\$276,372	\$17,687,813	54	\$276,372	\$14,924,092	52	\$276,372	\$14,371,348	45	\$276,372	\$12,438,744
<b>2 bedroom</b>	<b>88</b>	<b>\$18,624,008</b>	<b>\$14,395,894</b>	<b>88</b>	<b>(\$201,996)</b>	<b>(\$807,983)</b>	<b>88</b>	<b>(\$201,996)</b>	<b>(\$807,983)</b>	<b>88</b>	<b>(\$201,996)</b>	<b>(\$807,983)</b>
Very Low	-	-	(\$807,983)	4	(\$88,733)	(\$354,930)	5	(\$88,733)	(\$443,663)	6	(\$88,733)	(\$532,398)
Low	-	-	(\$354,930)	4	(\$17,048)	(\$68,192)	9	(\$17,048)	(\$153,435)	7	(\$17,048)	(\$119,336)
Moderate	-	-	(\$68,192)	6	\$211,636	\$1,270,018	69	\$211,636	\$14,602,915	13	\$211,636	\$2,751,267
Market	88	\$211,636	\$18,624,008	74	\$211,636	\$15,661,097	69	\$211,636	\$14,602,915	62	\$211,636	\$13,121,460
<b>1 bedroom</b>	<b>8</b>	<b>\$1,232,749</b>	<b>\$1,048,355</b>	<b>8</b>	<b>-</b>	<b>-\$</b>	<b>8</b>	<b>-</b>	<b>-\$</b>	<b>8</b>	<b>-</b>	<b>-\$</b>
Very Low	-	-	-\$	-	-	-\$	-	-	-\$	-	-	-\$
Low	-	-	-\$	-	-	-\$	-	-	-\$	-	-	-\$
Moderate	-	-	-\$	1	(\$30,301)	(\$30,301)	1	(\$30,301)	(\$30,301)	1	(\$30,301)	(\$30,301)
Market	8	\$154,094	\$1,232,749	7	\$154,094	\$1,078,656	7	\$154,094	\$1,078,656	5	\$154,094	\$770,468
<b>Totals</b>	<b>160</b>	<b>\$37,544,570</b>	<b>\$29,444,339</b>	<b>160</b>	<b>\$154,094</b>	<b>\$24,804,312</b>	<b>160</b>	<b>\$154,094</b>	<b>\$24,804,312</b>	<b>160</b>	<b>\$154,094</b>	<b>\$24,804,312</b>
- per Acre		\$4,693,071	\$3,680,542			\$3,680,542			\$3,680,542			\$3,680,542
- per Unit		\$234,654	\$184,027			\$184,027			\$184,027			\$184,027

Source: EPS

**Table 10**  
**City of Goleta Inclusionary Housing Analysis**  
**Summary of Estimated Residual Land Values by Inclusionary Program Option**

Project Description	Inclusionary Requirements		Units by Income Level				Residual Land Value [1]		
	Option	Mix of Affordable Units	Market	Very Low	Low	Moderate	Total	Per Acre	Diff. from Market
Table 1									
Table 8 and Table 9									
8.0 acre site									
<b>Project A</b>									
Typical 80-unit project with mix of detached (all market) and attached units. Mix of bedroom sizes with affordable units apportioned throughout bedroom sizes.	Market	100% market-rate units	80	0	0	0	\$21,056,028	\$2,632,004	
	Option 1	15% inclusionary: 7% low + 8% mod	68	0	6	6	\$17,743,978	\$2,217,997	-16%
	Option 2	20% inclusionary: 10% low + 10% mod	64	0	8	8	\$16,568,664	\$2,071,083	-21%
	Option 3	30% inclusionary: 15% low + 15% mod	56	0	12	12	\$14,218,036	\$1,777,254	-32%
Table 1									
8.0 acre site									
<b>Project B</b>									
Mid-Hollister Opportunity site with all attached units, slightly smaller unit sizes and 160 units total. Affordable units are apportioned through all unit sizes.	Market	100% market-rate units	160	0	0	0	\$37,544,570	\$4,693,071	
	Option 1	15% inclusionary: 4% very low + 4% low + 7% mod	135	7	7	11	\$29,444,339	\$3,680,542	-22%
	Option 2	20% inclusionary: 5% very low + 5% low + 10% mod	128	8	8	16	\$27,477,392	\$3,434,674	-27%
	Option 3	30% inclusionary: 7% very low + 8% low + 15% mod	112	11	13	24	\$22,603,793	\$2,825,474	-40%

Source: Table 8 and Table 9, and Table 1.

[1] Total development costs include developer profit of 15% of total development cost excluding land.

APPENDIX A:  
Base Assumptions



**Table A-1**  
**City of Goleta Inclusionary Housing Analysis**  
**Base Assumptions for Costs, Income, and Price Calculations**

Item	Assumptions			Units	Notes
	Detached	Attached	Values		
<b>Cost Assumptions</b>					
Site Improvements	\$60,000	\$20,000		per unit	Includes off-site infrastructure costs
Construction Costs	\$87	\$96		per net salable sq. ft.	Slab up building costs
Builder Overhead	\$22,000	\$19,800		per unit	Job site management and security
Professional	\$9,500	\$11,875		per unit	A&E, environmental, other consultants
General Administration	\$18,500	\$21,275		per unit	Includes insurance, accounting, legal,
Marketing	\$7,500	\$7,500		per unit	
Subtotal Soft Costs (rounded)	\$58,000	\$60,000		per unit	A&E, insurance, financing, builder overhead, marketing etc.
Fees	\$53,859	\$22,701		per unit	See Tables C-1 and C-2 for calculations
Financing Costs	\$26,000	\$26,000		per unit	Includes construction loan, loan fees and cost of sale
Developer Profit	15%	15%		of total costs	
<b>Income Assumptions</b>					
Market Price	\$435	\$398		per sq. ft.	See Tables B-1 and B-2 for calculations.
Cost of Sale	4%	4%		of Sale Price	
<b>Attainable Price Calculation Assumptions</b>					
Down Payment	5.0%	5.0%		of sales price	
Interest Rate	6.25%	6.25%		30-yr fixed rate mortg.	Quicken Loans for zip code 93117, \$275,000 loan, 5% down
Property Tax Rate	1.02925%	1.02925%		of sales price	Tax Rate Area 08036
Income Available for Housing					
Very Low Income Families	30.0%	30.0%		of gross income	
Low to Moderate Income Families	35.0%	35.0%		of gross income	
Insurance Cost	\$700	\$170		annually	
HOA Dues	\$115	\$300		per month	

Source: Martin/Farrell Homes, City of Goleta, Zillow, and EPS.

APPENDIX B:  
Market Value Estimates



**Table B-1**  
**City of Goleta Inclusionary Housing Analysis**  
**City of Goleta Detached Home Sales (April - September 2008)**

Item	Type	Price	Sq. Ft.	Price/ Sq. Ft.
<b>Detached (93117)</b>				
3435 Cedar St.	3/2	\$535,000	1,104	\$484.60
436 Gay Dr.	3/2	\$435,000	1,747	\$249.00
89 Brandon Dr.	3/2	\$435,000	1,153	\$377.28
311 Cedar Ln	3/3	\$795,000	-	-
207 Teri Sue Ln	3/2	\$450,000	1,580	\$284.81
2393 Janin Way	3/3	\$1,160,000	-	-
421 Gay Dr.	3/3	\$400,500	1,716	\$233.39
242 La Pita Pl	3/2.5	\$382,500	1,596	\$239.66
6221 Muirfield Dr.	3/2	\$872,500	1,328	\$657.00
1978 Honey Locust Ct	3/2	\$625,000	2,059	\$303.55
5850 Cathedral Oaks Rd	3/2	\$833,048	1,400	\$595.03
5464 Berkeley Rd	3/2	\$899,000	1,462	\$614.91
38 Amador Ave	3/2	\$569,000	1,125	\$505.78
3344 Willow St	3/2	\$832,500	2,400	\$346.88
410 Riverview Dr	3/2	\$658,000	2,360	\$278.81
2221 Hill Haven Rd	3/-	\$1,275,000	-	-
6215 Parkhurst Dr	3/2	\$329,500	1,411	\$233.52
2560 Garden St	3/2.75	\$845,000	2,711	\$311.69
3580 Willow St	3/1.5	\$405,000	1,445	\$280.28
260 Pebble Beach Dr	3/2	\$611,500	1,126	\$543.07
206 Menlo Dr	3/2	\$515,000	-	-
129 Sharon Pl	3/2	\$462,500	1,240	\$372.98
569 Alisal Rd	3/2	\$850,000	1,600	\$531.25
1289 Camino Meleno	3/3	\$1,199,000	2,455	\$488.39
620 Hillside Dr	3/2	\$700,000	-	-
3425 Numancia St	3/2	\$535,000	1,408	\$379.97
1414 Camino Rio Verde	3/2	\$1,061,000	2,164	\$490.30
5769 Berkeley Rd	3/2	\$609,000	1,433	\$424.98
108 Lancaster Pl	3/2	\$626,000	1,146	\$546.25
618 Andamar Way	3/2	\$792,000	1,611	\$491.62
5553 Cathedral Oaks Rd	3/2	\$765,000	-	-
7349 Elmhurst Pl	3/2	\$517,857	-	-
863 Santa Marquerita Dr	3/2	\$875,000	1,669	\$524.27
290 Brandon Dr	3/2	\$445,000	1,271	\$350.12
6258 Shamrock Ave	3/2	\$710,000	1,300	\$546.15
6001 Paseo Palmilla	3/2	\$850,000	1,454	\$584.59
499 Cannon Green Dr	3/2	\$599,000	-	-
1165 Cuesta St	3/2	\$532,000	1,500	\$354.67
82 Manchester Pl	3/2	\$570,000	1,178	\$483.87
247 Saratoga Ct	3/2	\$700,000	1,188	\$589.23
49 Bear Creek Dr	3/2	\$475,000	-	-
611 Central Ave	3/5	\$398,000	1,275	\$312.16
6279 Newcastle Ave	3/2	\$643,000	1,280	\$502.34
7695 Padova Dr	3/2	\$667,000	1,540	\$433.12
6248 Avenida Gorrion	3/2	\$850,000	1,928	\$440.87
355 Freya Dr	3/2.5	\$810,000	-	-
371 Cannon Green Dr	3/2.5	\$585,000	1,462	\$400.14
15 Touran Ln	3/2.5	\$606,000	1,500	\$404.00
182 Vega Dr	3/2	\$775,000	1,340	\$578.36
1104 N Fairview Ave	3/2	\$1,170,000	2,018	\$579.78
78 Placer Dr	3/2	\$595,000	1,216	\$489.31
<b>Average Detached</b>		<b>\$683,047</b>	<b>1,559</b>	<b>\$435.07</b>

Source: Zillow.com

**Table B-2**  
**City of Goleta Inclusionary Housing Analysis**  
**City of Goleta Attached Home Sales (April - September 2008)**

Item	Type	Price	Sq. Ft.	Price/ Sq. Ft.
<b>Attached (93117)</b>				
1676 Maple Ave	2/1	\$175,000	-	-
43 Dearborn Pl	1/1	\$270,000	729	\$370.37
184 Kingston Ave	-	\$390,540	-	-
13 Six Flag Cir	2/1	\$285,000	784	\$363.52
162 La Calera Way	-	\$481,546	-	-
2085 Village Ln	-	\$450,000	-	-
47 Dearborn Pl	2/1	\$355,000	856	\$414.72
7032 Marymount Way	-	\$302,000	-	-
381 Pacific Oaks Rd	-	\$710,000	-	-
616 Hillside Dr	-	\$690,000	-	-
31 Dearborn Pl	2/1	\$375,000	920	\$407.61
45 Dearborn Pl	1/1	\$295,000	729	\$404.66
543 Mills Way	2/1.5	\$517,000	1,056	\$489.58
7630 Hollister Ave	1/1	\$226,323	-	-
150 Kingston Ave	-	\$465,000	-	-
590 Mills Way	-	\$446,116	-	-
620 Hills Dr	3/2	\$700,000	-	-
499 Cannon Green Dr	-	\$554,000	-	-
41 Dearborn Pl	-	\$301,962	-	-
200 Entrance Rd	2/2.5	\$520,000	1,132	\$459.36
355 Cannon Green Dr	-	\$352,000	-	-
137 Ellwood Station Rd	2/2.5	\$400,000	1,132	\$353.36
499 Cannon Green Dr	3/2	\$599,000	-	-
639 Roskilde Rd	2/1.5	\$315,000	1,170	\$269.23
241 Moreton Bay	-	\$228,000	-	-
611 Central Ave	3/5	\$398,000	1,275	\$312.16
7630 Hollister Ave	2/2	\$485,000	960	\$505.21
7602 Hollister Ave	2/2	\$495,000	-	-
371 Cannon Green Dr	3/2.5	\$585,000	1,462	\$400.14
2089 Village Ln	2/2	\$477,500	1,134	\$421.08
7386 Calle Real	-	\$366,750	-	-
638 Roskilde Rd	-	\$337,500	-	-
47 Dearborn Pl	-	\$265,000	-	-
<b>Average Attached</b>		<b>\$418,583</b>	<b>1,026</b>	<b>\$397.77</b>

Source: Zillow.com

APPENDIX C:  
Development Fee Calculations





**Table C-1**  
**Single-Family Detached Home**  
**Estimated Development Impact Fees per Unit**

Single-Family
---------------

Fee	Amount	Notes
<b>Development Assumptions</b>	1,550	Living area square feet
	7,300	Estimated lot square feet
	6	Estimated units per acre
	\$178,250	City valuation for Dwellings @ \$115 per sq. ft.
<b>City/County Building Permit/Impact Fees [1]</b>		
Building Permit	\$1,436	Based on City schedule
Plan Check	\$1,077	75% of building permit
Seismic/Strong Motion	\$18	0.01% of building valuation
Issuance Fee	\$24	\$23.50 per dwelling unit
Transportation Fee	\$13,508	\$13,508 per dwelling unit
Library	\$384	\$384 per dwelling unit
Sheriff	\$439	\$439 per dwelling unit
Fire	\$1,019	\$709 plus \$0.20 per sq. ft. per dwelling unit
Habitat/Greenbelt Preservation	\$9,509	\$9,509 per dwelling unit for Quimby
Recreation (Parks)	\$9,574	\$9,574 per dwelling unit for Parks
Public Administration	\$1,705	\$1,705 per dwelling unit
<b>Subtotal Building Permit/Impact Fees</b>	<b>\$38,693</b>	
<b>Other Agency Fees</b>		
School Mitigation Fee	\$3,891	See note [2]
Goleta Water District Fee	\$7,860	See note [3]
Goleta Sanitary District	\$2,258	\$100 permit fee, \$100 inspection fee, & \$2,058 connection fee
Santa Barbara County Fire District	\$1,158	\$1,158 per dwelling unit
<b>Subtotal Other Agency Fees</b>	<b>\$15,167</b>	
<b>Total Fees per Single-Family Unit</b>	<b>\$53,859</b>	

Source: City of Goleta, Goleta Water District, Goleta Sanitary District, Goleta Unified School District, Santa Barbara High School District, and Santa Barbara County Fire District.

- [1] Processing fees exclude mechanical, electrical, plumbing and other similar review fees. In addition, land development fees such as Santa Barbara County Fire development planning fee and the City's Final Development Plan fee are excluded.
- [2] This analysis assumes \$1,485 per living square feet for the Goleta Unified School District and \$1.025 per living square feet for the Santa Barbara High School District. Per Santa Barbara High School District staff, development in the City of Goleta pays half of the Goleta Unified School District fee and half of the Santa Barbara High School District fee.
- [3] This analysis assumes a minimum size service connection of 3/4-inch for a gross lot size up to 1/4 acre of \$7,610 plus a \$250 application fee.

**Table C-2**  
**Multifamily Attached Home**  
**Estimated Development Impact Fees per Unit**

<b>Multifamily</b>
--------------------

Fee	Amount	Notes
<b>Development Assumptions</b>		
	8	Acres
	20	Units per acre
	64	Total units (3 bedroom/2 bath)
	1,350	Square feet per unit
	86,400	Total square feet
	\$9,936,000	City valuation for Dwellings @ \$115 per sq. ft.
<b>City/County Building Permit/Impact Fees [1]</b>		
Building Permit	\$751	Based on City schedule
Plan Check	\$563	75% of building permit
Seismic/Strong Motion	\$16	0.01% of building valuation
Issuance Fee	\$0	\$23.50 per building permit
Transportation Fee	\$8,292	\$8,292 per dwelling unit
Library	\$285	\$285 per dwelling unit
Sheriff	\$323	\$323 per dwelling unit
Fire	\$796	\$526 plus \$0.20 per sq. ft. per dwelling unit
Habitat/Greenbelt Preservation	n/a	Quimby fee only applies to single-family development
Recreation (Parks)	\$104	\$6,625 Full apartment fee
Public Administration	\$1,263	\$1,263 per dwelling unit
<b>Subtotal Building Permit/Impact Fees</b>	<b>\$12,392</b>	
<b>Other Agency Fees</b>		
School Mitigation Fee	\$3,389	See note [2]
Goleta Water District Fee	\$5,279	See note [3]
Goleta Sanitary District	\$1,641	\$100 permit fee, \$100 inspection fee, & \$1,441 connection fee
<b>Subtotal Other Agency Fees</b>	<b>\$10,308</b>	
<b>Total Fees per Single-Family Unit</b>	<b>\$22,701</b>	

Source: City of Goleta, Goleta Water District, Goleta Sanitary District, Goleta Unified School District, Santa Barbara High School District, and Santa Barbara County Fire District.

- [1] Processing fees exclude mechanical, electrical, plumbing and other similar review fees. In addition, land development fees such as Santa Barbara County Fire development planning fee and the City's Final Development Plan fee are excluded.
- [2] This analysis assumes \$1.485 per living square feet for the Goleta Unified School District and \$1.025 per living square feet for the Santa Barbara High School District. Per Santa Barbara High School District staff, development in the City of Goleta pays half of the Goleta Unified School District fee and half of the Santa Barbara High School District fee.
- [3] This analysis assumes a charge of \$5,275 per unit plus \$250 application fee. This analysis does not include a charge for an irrigation meter. The charge for an irrigation meter is based on the following: if the irrigated area (in acres) is less than or equal to the number of units divided by 24 the development will be exempt from the new water supply charge for the irrigation meter. If the total number of units divided by 24 is greater than the irrigated area in acres the development will be charged for an irrigation meter.

**Attachment 3**

**Housing Element  
Key Policy Updates**



**GOLETA HOUSING ELEMENT KEY POLICY UPDATES (JUNE 8, 2009)**

Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
Affordable Housing Production Approach		
HE 11.4	<p><b>HE 11.4 Flexibility in Meeting Inclusionary Requirements. [GP]</b> It is the City's intent to achieve the greatest percentage of affordable units possible. Creative ways to meet the City's inclusionary requirement to help achieve City housing goals, especially for very low- and low-income housing, such as through partnership with a nonprofit housing agency, are encouraged. In addition, trade-offs of very low-income units for moderate-income units may be considered, particularly in projects with for-sale units, if it can be demonstrated that the City's housing goals can be more effectively achieved. Such trade-off approaches may incorporate a unit equivalency wherein one very low-income unit is equivalent to 1.5 moderate-income units, and one low-income unit is equivalent to 1.25 moderate-income units.</p>	<p><b>HE 11.4 Flexibility in Meeting Inclusionary Requirements. [GP]</b> It is the City's intent to achieve the greatest percentage of affordable units possible. Creative ways to meet the City's inclusionary requirement to help achieve City housing goals, especially for very low- and low-income housing, such as through partnership with a nonprofit housing agency, are encouraged. In addition, trade-offs of very low-income units for moderate-income units may be considered, particularly in projects with for-sale units, if it can be demonstrated that the City's housing goals can be more effectively achieved. Such trade-off approaches may incorporate a unit equivalency <u>based on a financial pro forma provided by the applicant. The applicability of these requirements, while at the sole discretion of the City, shall be determined by the Planning Director early in the application process, wherein one very low-income unit is equivalent to 1.5 moderate income units, and one low income unit is equivalent to 1.25 moderate income units.</u></p>
Inclusionary Housing Requirements		
HE 10.3	<p><b>HE 10.3 "Designated" Affordable Housing Sites. [GP]</b> Given the limited availability of developable land within its boundaries, housing opportunity sites or areas are designated. These sites are vacant and designated for densities of 20 units per acre or greater (see maps, policies, and programs under Policy HE 6). Development proposals on these sites may be subject to special affordability provisions, pursuant to the Inclusionary Housing Policy set forth in Policy HE 11, in recognition of the substantial increases in the land values as a consequence of rezoning of these sites from nonresidential zones to Medium-Density Residential.</p>	<p><b>HE 10.3 "Designated" Affordable Housing Sites. [GP]</b> Given the limited availability of developable land within its boundaries, housing opportunity sites or areas are designated. These sites are vacant and designated for densities of 20 units per acre or greater (see maps, policies, and programs under Policy HE 6). Development proposals on these sites may be subject to special affordability provisions, pursuant to the Inclusionary Housing Policy set forth in Policy HE 11. <u>The purpose of the special affordability provisions is to locate new multi-family residential development close to transit corridors and close to employment areas through the rezone of nonresidential land to residential use. The costs associated with special affordability provisions are intended to be offset by concessions and/or incentives identified in Policy HE 10. Additionally, in recognition of the substantial increases in the land values as a consequence of rezoning of these sites from nonresidential zones to Medium-Density Residential are intended to assist with cost recovery.</u></p>

**GOLETA HOUSING ELEMENT KEY POLICY UPDATES (JUNE 8, 2009)**

Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
HE 11.2	<p><b>HE 11.2 Applicability of Inclusionary Requirements. [GP]</b> Inclusionary requirements shall apply to residential projects as follows:</p> <p>a. Projects consisting of one individual single-family unit shall be exempt from the inclusionary requirement, except that units of 3,000 square feet or larger, excluding area within a garage, shall be subject to payment of an impact fee.</p> <p>b. Projects consisting of two to four housing units shall be required to pay an in-lieu fee based on the number and sizes of the units.</p> <p>c. Projects of five or more units shall be required to construct the applicable number of units, except that the City, at its sole discretion, may allow the inclusionary requirement for these projects to be satisfied by alternative means as set forth in Subpolicies HE 11.3 and 11.4.</p>	<p><b>HE 11.2 Applicability of Inclusionary Requirements. [GP]</b> Inclusionary requirements shall apply to residential projects as follows:</p> <p>a. Projects consisting of one individual single-family unit shall be exempt from the inclusionary requirement, except that units of 3,000 square feet or larger, excluding area within a garage, shall be subject to payment of an impact fee, <u>unless a second unit is provided.</u></p> <p>b. Projects consisting of two to four housing units shall be required to pay an in-lieu fee based on the number and sizes of the units.</p> <p>c. Projects of five or more units shall be required to construct the applicable number of units, except that the City, at its sole discretion, may allow the inclusionary requirement for these projects to be satisfied by alternative means as set forth in Subpolicies HE 11.3 and 11.4. <u>The applicability of these requirements, while at the sole discretion of the City, shall be determined by the Planning Director early in the application process.</u></p>
HE 11.5	<p><b>HE 11.5 Establishment of Unit Percentages and Income Levels. [GP]</b> Except for designated affordable housing sites as set forth in HE 11.6, the inclusionary housing requirement shall be as follows:</p> <p>a. Proposed rental projects shall be required to provide 5 percent of the total number of units within the project at rent levels affordable to very low- and low-income households.</p> <p>b. Proposed for-sale projects, including subdivisions for purposes of condominium conversions, will be required to provide 5 percent of the units at prices affordable to very low-income households, 5 percent affordable to low-income households, 10 percent affordable to moderate-income households, and 10 percent affordable to households earning 120 to 150 percent of the median income.</p> <p>Requirements for provision of inclusionary units in for-sale projects for very low- and low-income households may be satisfied by providing the same number of rental units at rent levels affordable to these households.</p>	<p><b>HE 11.5 Establishment of Unit Percentages and Income Levels. [GP]</b> Except for designated affordable housing sites as set forth in HE 11.6, the inclusionary housing requirement shall be as follows <u>(see related HE 11.9):</u></p> <p>a. <del>Proposed rental projects shall be required to provide 5 percent of the total number of units within the project at rent levels affordable to very low- and low-income households.</del></p> <p>ab. Proposed for-sale projects, including subdivisions for purposes of condominium conversions, will be required to provide <del>5</del> <u>2</u> percent of the units at prices affordable to very low-income households, 5 percent affordable to low-income households, <del>10</del> <u>4</u> percent affordable to moderate-income households, and <del>10</del> <u>4</u> percent affordable to <u>above moderate-income</u> households earning 120 to <del>200</del><u>150</u> percent of the median income.</p> <p>Requirements for provision of inclusionary units in for-sale projects for very low- and low-income households may be satisfied by providing the same number of rental units at rent levels affordable to these households.</p> <p><i>NOTE: On May 5, City Council authorized staff to amend Policy HE 11.5 to allow for a 15-20% inclusionary rate citywide and allow staff to create criteria for the different inclusionary rates. Staff is proceeding with this instruction and will clarify the circumstances under which a 15% inclusionary requirement will apply versus a 20% inclusionary requirement with the various affordability ranges.</i></p>

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Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
<p><b>HE 11.6</b></p>	<p><b>HE 11.6 Inclusionary Requirement for Affordable Housing Opportunity Sites. [GP]</b>            Vacant sites rezoned from nonresidential districts to Medium-Density Residential at 20 units per acre to meet the City's RHNA of units for very low- and low-income households are hereby designated as Affordable Housing Opportunity Sites. These sites, shown in Figure 10A-3, include site numbers 20, 21, 24, 25, and 26. In recognition of the substantial increases in property values that may be associated with the rezonings, proposed projects on these sites shall be subject to a greater inclusionary requirement than is applicable to projects at other locations. The inclusionary requirements shall be the same percentages as the RHNA to the City for each household income category. The requirements for the affordable housing opportunity sites, including for-sale and rental projects, are as follows:</p> <p>a. 24 percent of the units within the project shall be provided at prices or rents affordable to very low-income households.</p> <p>b. 17 percent of the units within the project shall be provided at prices or rents affordable to low-income households.</p> <p>c. 14 percent of the units within the project shall be provided at prices or rents affordable to moderate-income households.</p> <p>Requirements for provision of inclusionary units in for-sale projects for very low- and low-income households may be satisfied by providing the same number of rental units at rent levels affordable to these households. Participation by nonprofit housing organizations is encouraged.</p>	<p><b>HE 11.6 Inclusionary Requirement for Affordable Housing Opportunity Sites. [GP]</b>            Vacant sites rezoned from nonresidential districts to Medium-Density Residential at 20 <u>to 25</u> units per acre to meet the City's RHNA of units for very low- and low-income households are hereby designated as Affordable Housing Opportunity Sites. These sites, shown in Figure 10A-3, include site numbers <u>20, 21, 24, 25, and 26</u><del>22, 23, 26, 27, and 28</del>. In recognition of the substantial increases in property values that may be associated with the rezonings <u>and support from concessions and incentives provided in Policy HE 10</u>, proposed projects on these sites shall be subject to a greater inclusionary requirement than is applicable to projects at other locations. <del>The inclusionary requirements shall be the same percentages as the RHNA to the City for each household income category.</del> The requirements for <u>for-sale projects in the affordable housing opportunity sites, including for sale and rental projects,</u> are as follows:</p> <p>a. <u>24 5</u> percent of the units within the project shall be provided at prices <del>or rents</del> affordable to very low-income households.</p> <p>b. <u>17 5</u> percent of the units within the project shall be provided at prices <del>or rents</del> affordable to low-income households.</p> <p>c. <u>14 5</u> percent of the units within the project shall be provided at prices <del>or rents</del> affordable to moderate-income households.</p> <p><u>d. 5 percent of the units within the project shall be provided at prices affordable to above moderate-income households earning 120 to 200 percent of the median income.</u></p> <p>Requirements for provision of inclusionary units in for-sale projects for very low- and low-income households may be satisfied by providing the same number of rental units at rent levels affordable to these households. Participation by nonprofit housing organizations is encouraged.</p> <p><i>NOTE: On May 5, the City Council authorized an amendment to housing density on the Opportunity Sites from 20 units per acre to a range of 20 to 25 units per acre as noted in amended HE 11.6 above. This amendment will necessitate a corresponding amendment to Land Use Element Table 2-1 and Policy LU 2.6 Medium Density Residential such that the Opportunity Sites are allowed to achieve a min/max density range of 20-25 units/acre.</i></p>

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Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
IP-11A	<p><b>IP-11A Prepare Inclusionary Housing Regulations in the New Zoning Code.</b> Establish specific standards and requirements for inclusionary housing in the zoning ordinance, including standards and requirements for qualifying projects, specific affordability levels of the inclusionary units, in-lieu fee amounts, management of the units, standard agreements and covenant documents, etc.  <u>Time period:</u> New Zoning Ordinance by 2007  <u>Responsible party:</u> Planning and Environmental Services Department</p>	<p><b>IP-11A Prepare Inclusionary Housing Regulations in the New Zoning Code.</b> Establish specific standards and requirements for inclusionary housing in the zoning ordinance, including standards and requirements for qualifying projects, specific affordability levels of the inclusionary units, in-lieu fee amounts, management of the units, <u>fractional unit requirements as it relates to affordable unit counts</u>, standard agreements and covenant documents, etc.  <u>Time period:</u> New Zoning Ordinance by 2007  <u>Responsible party:</u> Planning and Environmental Services Department</p>
Incentives & Concessions Policy Clean-up		
HE 10.1	<p><b>HE 10.1 Density Bonuses and Other Incentives for Affordable Housing Developments. [GP]</b> The City will use density bonuses and other incentives consistent with state law to help achieve housing goals while ensuring that potential impacts are considered and mitigated. The City will consider the following possible incentives for residential developments where the applicant requests a density bonus over the maximum otherwise allowable residential density under the applicable zoning regulations and proposes to include the appropriate percentages of very low, low-, and/or moderate-income units on site or donate an appropriate amount of land for affordable residential development:</p> <p>a. <b>State Density Bonus Law.</b> Continue to offer density bonuses and incentives or concessions consistent with the State Density Bonus law (California Government Code Section 65915).</p> <p>b. <b>Streamlined Development Review.</b> Affordable housing developments shall receive the highest priority, and efforts will be made by staff and decision makers to (1) provide technical assistance to potential affordable housing developers in processing requirements, including community involvement; (2) consider project funding and timing needs in the processing and review of the application; and (3) provide the fastest turnaround time possible in determining application completeness.</p>	<p><del><b>HE 10.1 Density Bonuses and Other Incentives for Affordable Housing Developments. [GP]</b> The City will use density bonuses and other incentives consistent with state law to help achieve housing goals while ensuring that potential impacts are considered and mitigated. The City will consider the following possible incentives for residential developments where the applicant requests a density bonus over the maximum otherwise allowable residential density under the applicable zoning regulations and proposes to include the appropriate percentages of very low, low-, and/or moderate-income units on site or donate an appropriate amount of land for affordable residential development:</del></p> <p>a. <del><b>State Density Bonus Law.</b> Continue to offer density bonuses and incentives or concessions consistent with the State Density Bonus law (California Government Code Section 65915).</del> <u>In addition, the City will incorporate the requirements of State Density Bonus law into the new zoning ordinance, as specified in IP-10C.</u></p> <p>b. <del><b>Streamlined Development Review.</b> Affordable housing developments shall receive the highest priority, and efforts will be made by staff and decision makers to (1) provide technical assistance to potential affordable housing developers in processing requirements, including community involvement; (2) consider project funding and timing needs in the processing and review of the application; and (3) provide the fastest turnaround time possible in determining application completeness.</del></p>



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Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
New HE 10.2	Not Applicable	<p><b>HE 10.2 Other Incentives for Affordable Housing Developments. [GP]</b> <u>For projects that do not apply for State Density Bonus Law incentives, the City will use other incentives to help achieve affordable housing goals. The City will grant the following incentives for residential developments where the applicant meets the requirements of Policy HE 11 and all rental projects:</u></p> <p>a. <u>Allow modifications in zoning requirements that will facilitate increased density, such as modifications to Floor Area Ratio (FAR), Lot Coverage Ratio, parking, setbacks, open space, and solar access requirements as specified in the zoning ordinance.</u></p> <p>b. <u>Allow modifications in zoning requirements and guidelines, consistent with subpolicy HE 9.3, that facilitate affordable housing production such that the zoning requirements and guidelines establishes minimum sizes for affordable units and provides for flexibility for the location of the affordable units within a development.</u></p> <p>c. <u>Modify procedures and materials to expedite project review to encourage an increase in the supply of well-designed housing for very low-, low-, and moderate-income households, consistent with IP-10E</u></p> <p>d. <u>Work with the water and sanitary districts to identify possible reductions, deferred payments, or waivers of some fees for water and sewer hook-ups for affordable housing for very low-income households, consistent with IP-10F.</u></p> <p>e. <u>Consider a transfer of development rights, consistent with IP-10G.</u></p> <p>f. <u>Consider modifying parking standards, consistent with IP-10H</u></p>
IP-10C	<p><b>IP-10C State Density Bonus Law.</b> Incorporate the requirements of State Density Bonus law into the new zoning ordinance.</p> <p><u>Time period:</u> New Zoning Ordinance by 2007</p> <p><u>Responsible party:</u> Planning and Environmental Services Department</p>	<p><b>IP-10C State Density Bonus Law.</b> Incorporate the requirements of State Density Bonus Law into the new zoning ordinance <u>and consider requests by applicants for density bonuses and related incentives or concessions pursuant to the new zoning ordinance consistent with state law.</u></p> <p><u>Time period:</u> New Zoning Ordinance by 2007<del>9</del></p> <p><u>Responsible party:</u> Planning and Environmental Services Department</p>

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Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
IP-10D	<p><b>IP-10D Apply Density Bonus Zoning and Related Incentives.</b> Administer the zoning ordinance provisions to encourage an increase in the supply of well-designed housing for very low-, low-, and moderate-income households. Evaluate the following:</p> <p>a. Consider requests by applicants for density bonuses and related incentives or concessions pursuant to the new zoning ordinance and consistent with state law.</p> <p>b. Maintain a tiered impact fee structure that correlates the amount of fees with the level of impacts of housing projects, including projects that have lower impacts and are more likely to be affordable by virtue of design characteristics, such as small-sized units. Consider methods to allow deferred payment of fees for affordable rental housing, and encourage other agencies to provide similar mechanisms.</p> <p>c. Establish "fast track" processing procedures in the new zoning code, California Environmental Quality Act (CEQA) processing efficiencies, and other mechanisms to fit with funding requirements and encourage desirable affordable housing projects that have a significant portion of their total floor area committed to affordable housing. Consider opportunities to streamline environmental review for individual residential projects, such as preparation of specific plans and specific plan EIRs, particularly in the North Willow Springs and mid-Hollister areas.</p> <p><u>Time period:</u> Through 2009  <u>Responsible party:</u> Planning and Environmental Services Department</p>	<p><del>IP-10D Apply Density Bonus Zoning and Related Offer Incentives. Update and a</del>Administer the zoning ordinance provisions to encourage an increase in the supply of well-designed housing for very low-, low-, and moderate-income households. <u>Offer incentives consistent with the subpolicies and programs established in HE 10. Evaluate the following:</u></p> <p><del>a. Consider requests by applicants for density bonuses and related incentives or concessions pursuant to the new zoning ordinance and consistent with state law.</del></p> <p><del>b. Maintain a tiered impact fee structure that correlates the amount of fees with the level of impacts of housing projects, including projects that have lower impacts and are more likely to be affordable by virtue of design characteristics, such as small-sized units. Consider methods to allow deferred payment of fees for affordable rental housing, and encourage other agencies to provide similar mechanisms.</del></p> <p><del>c. Establish "fast track" processing procedures in the new zoning code, California Environmental Quality Act (CEQA) processing efficiencies, and other mechanisms to fit with funding requirements and encourage desirable affordable housing projects that have a significant portion of their total floor area committed to affordable housing. Consider opportunities to streamline environmental review for individual residential projects, such as preparation of specific plans and specific plan EIRs, particularly in the North Willow Springs and mid-Hollister areas.</del></p> <p><u>Time period:</u> Through 2009  <u>Responsible party:</u> Planning and Environmental Services Department</p>
New IP-10E	Not Applicable	<p><b>IP-10E Modify Procedures and Materials to Expedite Project Review.</b> <u>Modify procedures and materials to expedite project review to encourage an increase in the supply of well-designed housing for very low-, low-, and moderate-income households. Expedited project review also applies to all rental projects. Specific procedures include, but are not limited to:</u></p> <p><u>a. Establish a "concept review" process that is subject to the Planning Director's oversight to enable early feedback and direction for development design.</u></p> <p><u>b. Establish an "in-house" processing team to assist developments which are beneficial to the City and provide a significant number of affordable units.</u></p> <p><u>c. Create a specific project review checklist of General Plan and other City requirements appropriate for each project application submitted.</u></p> <p><u>d. Establish "fast track" processing procedures in the new zoning code, and other mechanisms to fit with funding requirements and encourage desirable affordable housing projects that have a significant number of affordable units.</u></p> <p><u>Time period:</u> Through 2009  <u>Responsible party:</u> Planning and Environmental Services Department</p>

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Policy ID #	Policy Text in Adopted General Plan	Proposed Policy Amendment (5/5/09)
<b>Affordable Housing Terms</b>		
HE 11.7	<p><b>HE 11.7 Long-Term Affordability of Inclusionary Units. [GP]</b> Inclusionary units shall be subject to recordation of a regulatory agreement to provide affordable housing units and an affordability covenant or deed restriction. The term of affordability restrictions shall not be less than 55 years and would rollover to another 55 years upon resale.</p>	<p><b>HE 11.7 Long-Term Affordability of Inclusionary Units. [GP]</b> Inclusionary units shall be subject to recordation of a regulatory agreement to provide affordable housing units and an affordability covenant or deed restriction. The term of affordability restrictions shall <u>be based on applicable Federal Laws and financing mechanisms, generally 45 years but not less than 30 years. (see related HE 11.9)</u>not be less than 55 years and would rollover to another 55 years upon resale.</p>
<b>Extremely Low Income Strategies</b>		
N/A	N/A	<p>The Housing Element and Technical Appendix reflect the extremely low income households in the following ways:</p> <ul style="list-style-type: none"> <li>• The RHNA very low income allocation is split with extremely low to set a housing goal for this new group.</li> <li>• Policies are expanded to include references to this new income group and new strategies added to specifically assist in the development of housing types to meet the needs of these households.</li> </ul>
<b>Special Needs Housing &amp; SB 2</b>		
HE 5.6	<p><b>HE 5.6 Housing for Homeless Persons. [GP]</b> The City will work collaboratively with other organizations and agencies to assist with provision of a continuum of care for the homeless, including emergency shelter, transitional housing, supportive housing, and permanent housing.</p>	<p><b>HE 5.6 Housing for Homeless Persons. [GP]</b> The City will work collaboratively with other organizations and agencies to assist with provision of a continuum of care for the homeless, including emergency shelter, transitional housing, supportive housing, and permanent housing. <u>The City will seek ways to establish one year-round shelter.</u></p>
N/A	<p><b>IP-5E Maintain Programs to Address Homeless Needs.</b> Continue to support training and educational services and support the Continuum of Care.  <u>Time period:</u> Ongoing  <u>Responsible party:</u> Redevelopment and Neighborhood Services Department</p>	<p><b>IP-5E <del>Maintain</del> Programs to Address Homeless Needs.</b> <u>The City will amend the zoning code within one year of Housing Element adoption in compliance with SB 2 as follows: (1) to allow emergency shelters by right in the C-3 General Commercial zoning district; (2) the emergency shelter use will be permitted without a Conditional Use Permit or other discretionary action; (3) the emergency shelter use will be subject to the same development and management standards that apply to other allowed uses in the C-3 zone; (4) to treat transitional and supportive housing as residential uses, only subject to those restrictions that apply to other residential uses of the same type in the same zone; and (5) to encourage single room occupancy units.</u></p> <p><u>The City will continue to support organizations that meet the housing and supportive service needs of the homeless and those at risk of homelessness.</u> Continue to support training and educational services and support the Continuum of Care.  <u>Time period:</u> Ongoing-August 2011  <u>Responsible party:</u> Redevelopment and Neighborhood Services Department  <i>NOTE: On May 5, the City Council authorized staff to explore the feasibility of other zones. Staff is proceeding with this instruction.</i></p>

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<b>Tech. App.</b>	Technical Appendix Section II.D.6 Homeless Population	<b>Section II.D.6 Homeless Population:</b> This section is updated to include a description of the characteristics and suitability of the zone for emergency shelters.
<b>Glossary</b>	Update Glossary to replace existing definitions with new definitions provided in Health and Safety Code.	<p><u>Emergency Shelters (Health and Safety Code Section 50801(e))</u> "Emergency shelter" means housing with minimal supportive services for homeless persons that is limited to occupancy of six months or less by a homeless person. No individual or household may be denied emergency shelter because of an inability to pay.</p> <p><u>Transitional Housing (Health and Safety Code Section 50675.2)(h)</u> "Transitional Housing" and "transitional housing development" means buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted units to another eligible program recipient at some predetermined future point in time, which shall be no less than six months.</p> <p><u>Supportive Housing (Health and Safety Code 50675.14(b))</u> Housing with no limit on length of stay, that is occupied by the target population as defined in subdivision (d) of Section 53260, and that is linked to on- or off-site services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.</p>
<b>Assisted Living/Licensed Care Facilities</b>		
<b>HE 5.3</b>	<b>HE 5.3 Density Bonuses for Special Needs Housing. [GP]</b> Density bonuses per State Density Bonus law may be used to assist in meeting special housing needs housing for lower-income elderly and disabled persons, consistent with roadway capacity, parking needs, and neighborhood scale. Senior care facilities, including residential care facilities serving more than six people, shall be treated as a commercial service use and shall be subject to specific affordability requirements.	<b>HE 5.3 Density Bonuses for Special Needs Housing. [GP]</b> Density bonuses per State Density Bonus law may be used to assist in meeting special housing needs housing for lower-income elderly and disabled persons, consistent with roadway capacity, parking needs, and neighborhood scale. <del>Senior care facilities, including residential care facilities serving more than six people, shall be treated as a commercial service use and shall be subject to specific affordability requirements.</del>
	<b>HE 11.1 Inclusionary Housing Approach. [GP]</b> To increase construction of housing affordable to persons employed locally, the City shall require residential developments involving one or more units to provide a percentage of units or pay an in-lieu or impact fee for very low-, low-, and moderate-income housing. The units provided through this policy shall be deed restricted for the longest term permitted by law. The inclusionary requirement shall apply to all housing, including, but not limited to, single-family housing; multifamily housing; condominiums; townhouses; locally approved, licensed care facilities; stock cooperatives; and land subdivisions.	<b>HE 11.1 Inclusionary Housing Approach. [GP]</b> To increase construction of housing affordable to persons employed locally, the City shall require residential developments involving one or more units to provide a percentage of units or pay an in-lieu or impact fee for very low-, low-, and moderate-income housing. The units provided through this policy shall be deed restricted for the longest term permitted by law. The inclusionary requirement shall apply to all housing, including, but not limited to, single-family housing; multifamily housing; condominiums; townhouses; <del>locally approved, licensed care facilities;</del> stock cooperatives; and land subdivisions.

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Redevelopment Area Policy		
N/A	N/A	The Housing Element IP-8J will be modified to include a dollar goal for the expected accrual in the Housing Set Aside Fund.
		<b>HE 11.9 Redevelopment Area Housing Requirements.</b> [GP] Redevelopment Area Law requirements related to the production of affordable housing, such as inclusionary requirements and terms for affordability, overlap with Housing Element standards and in some cases are not identical. <u>Whichever standard is more restrictive and produces more affordable units will prevail.</u>
Sustainability/Energy Efficiency Policies		
HE 9.4	<b>HE 9.4 Resource Conservation.</b> [GP] The City will promote development and construction standards that provide resource conservation by encouraging housing types and designs that use renewable and/or sustainable materials, cost-effective energy conservation measures, and fewer resources (water, electricity, etc.) and therefore cost less to operate over time. The City shall require individual residential units within multifamily housing projects to be separately metered for all utilities, including, but not limited to, water, natural gas, and electricity (see related Policy CE 13).	Expand policies per review with consultant.
HE 9.5	<b>HE 9.5 Renewable Energy Technologies.</b> [GP] Promote the use of sustainable and/or renewable materials and energy technologies, such as solar, in new and rehabilitated housing when possible (see related Policy CE 13).	Expand policies per review with consultant.
IP-9B	<b>IP-9B Promote Solar Design.</b> Develop design standards adapted to Goleta's climate relating to solar orientation, including lot layout for subdivisions, location and orientation of new structures, landscaping, fences, and impervious surfaces to conserve energy. <u>Time period:</u> 2008 to 2009 <u>Responsible party:</u> Planning and Environmental Services Department	Expand policies per review with consultant.
IP-9C	<b>IP-9C Establish "Green" Building Standards and Processes.</b> Adopt a "Green Building Program" to encourage the use of green building materials and energy conservation measures in new construction. <u>Time period:</u> 2008 to 2009 <u>Responsible party:</u> Planning and Environmental Services Department	Expand policies per review with consultant.