

Affordable Housing in Santa Barbara

An Oxymoron?

SUMMARY

The City of Santa Barbara has long been a desired destination for living and working, if you can afford the high cost of housing. The median price of a home is \$1,170,200. Aware of the lack of housing for low and middle-income families, the City created a Housing Authority¹ in 1969 and helped it create housing projects to fulfill the need for affordable housing. The Housing Authority of the City of Santa Barbara has provided over 1,300 housing units since then.

The 2019-20 Santa Barbara County Grand Jury investigated this issue and determined that the need for affordable housing has continued to increase, and the City has not maintained its commitment to provide it.

As a result, Santa Barbara faces some difficulties. Employers find it difficult to attract and retain qualified workers. Jobs exist here, but there is a magnified job-housing imbalance. Much of the City's workforce lives out of town and commutes to work. Every day there are over 25,000 trips from south of Santa Barbara and over 5,000 trips from North County.² These commuters cannot contribute to the community as residents do. Also, Santa Barbara is cut off from its most valuable helpers in times of disaster.

The City has not had much recent success in building affordable housing. It may now be facing a losing battle against forces requiring housing to be built in Santa Barbara. Since 2017, the legislative bodies of the State of California have been passing legislation to require cities to unfetter their permitting and zoning processes and allow housing for all income levels. If they do not, the State Housing and Community Development Department can overrule a city's permitting regulations in order to allow all housing that meets State standards.

For Santa Barbara, such impositions come at an awkward time. The City faces a deadline with its State Regional Housing Needs Allocation of over 2,000 housing units it must provide before 2023. Every eight years the allocation is determined by the State and regional councils of governments. In the fall of 2020, Santa Barbara will receive a higher allocation, even with thousands of units left unbuilt.

Further complicating matters is the fact that the State of California declared not only a housing crisis but also a homeless crisis. The bulk of funding that would have assisted cities to build affordable housing is now going to help the homeless. The need for homeless housing and services also dominates federal funding.

Santa Barbara is now in a double bind. It must build the housing that the State mandates but it has to do it with fewer funding resources. The City needs to recognize that it must clear itself of unproductive patterns and adopt a forward-looking vision for creating affordable housing.

¹ The Housing Authority of the City of Santa Barbara is a local public agency created under state law for the purposes of providing safe, decent, and quality affordable housing and supportive services.

² U.S. Census Bureau, American Community Survey, 2012-2016 Five Year Estimates.

Now that the COVID-19 pandemic has decimated 2020-21 budgets, it is even more important to rally behind innovative changes that could allow the City to genuinely move forward in helping all its citizens recover and stay safely housed.

BACKGROUND

In 1969, the State of California (State) confronted the State’s housing dilemma by legislating the Housing Element and the Regional Housing Needs Allocation (RHNA) for all counties and cities. Areas must conform to the State’s planned housing allocation with the specified numbers of low, middle and market rate housing. For Santa Barbara, the last housing allotment cycle was for the years 2015-2023. The City of Santa Barbara (City) has long lagged behind in building its allocated number of housing units. Further, the State leadership now sees the lack of housing as a crisis and can impose penalties or overrule local decisions if the housing is not built.

When RHNA went into effect, regional councils of government were formed to take the population estimates from the State and apply them to cities. The State RHNA plan is managed locally by the Santa Barbara County Association of Governments (SBCAG), which is mostly known for its transportation work. When there is a job and housing imbalance, cities must develop a Housing Element to plan for additional housing and reduce the number of people who have to commute. If they do not develop an acceptable plan, they may not be eligible for most State funding for housing.

In the last RHNA cycle, Santa Barbara City was allocated 4,100 units to take care of its housing needs. Only 1,288 have been built. Moreover, the City will no longer have the luxury of waiting for the eight-year cycle to expire before building the housing; RHNA now has an annual goal for meeting housing needs. The City has not discussed how it will create the 2,812 remaining housing units it has been allocated before 2023.³

The RHNA numbers, updated April 2, 2020, are broken down by annual income levels⁴ as shown in the table below.

Annual Income Level	RHNA Allocation	Total Units to Date	Total Remaining
Very Low Under \$30,093	962	159	803
Low \$30,039-\$48,062	701	132	569
Moderate \$48,062-\$72,093	820	4	816
Above Moderate \$72,093 and above	1,617	993	624
Total Units	4,100	1,288	2,812

³ 2015 Housing Element Implementation, *City of Santa Barbara*. Web, last visited April 2, 2020.

⁴ The currently used income rating for all Santa Barbara County is based on the idea that an individual or family would pay no more than 30% of its income toward rent. These averages apply to both North and South County.

In February 2020, SBCAG convened the first workshop for Santa Barbara County and all the cities to prepare for the next round of housing assignments. The new allocations will be announced in fall 2020. These required units will be added on top of the 2,812 units remaining in the current RHNA cycle. Other regions in California have seen their new allocations increase in numbers of housing units, some more than double.⁵

Cities' Housing Elements only needed to show that they had the capacity to build by zoning areas for development after assessing the needs of their community. If no building sites were available, cities had to rezone to meet the housing needs. This usually entails multi-use or multi-family zoning, and such measures have been called the death of single-family zoning. Santa Barbara, among other cities, has objected to new multi-family zoning requirements. As of July 2019, the California Attorney General can bring suit to enforce compliance with the city's Housing Element if it has not zoned for sites to accommodate its housing allocations as in the RHNA planning cycle, fines of \$10,000-\$100,000 a day can be imposed.

In the past, there were no requirements to actually build the housing. Counties and cities only had to state their building goals and implement policies to fulfill them. This has now changed. The State has begun to find ways to insist on the construction of housing, promoting both growth and density. For the last three years, the California legislature has passed acts that limit the use of municipal regulations to avoid housing development. Cities like Santa Barbara may no longer be able to bypass building affordable housing without facing penalties.

Briefly, this legislation includes:

- The Housing Accountability Act passed in 1982 (SB 2011) and strengthened in 2017 (SB 167). The Legislative Counsel's Digest for SB 167 states the Act prohibits a city from disapproving, or conditioning approval in a manner than renders infeasible, a housing development project for very low, low-, or moderate-income households or an emergency shelter unless the local agency makes specified written findings. For example, a city cannot deny a project that does not fit with a neighborhood character, unless that character is already defined in the zoning code. If a building application meets the city's criteria, it has to be given the necessary permits within 90 to 180 days, the shorter period being for affordable housing. If a city tries to cause any reduction of building, the State Department of Housing and Community Development (HCD) can enforce compliance with its regulations over those of the city.
- Senate Bill 35 (SB 35) of the Housing Package of 2017. SB 35 fast-tracks the process of building housing for income levels that are not being met. Projects with fewer than 150 units must be approved within 60 days, otherwise an applicant may submit an application for development that is subject to the streamlined, ministerial approval process provided not subject to a conditional use permit. Moreover, if a city does not build enough of a certain type of housing, the HCD will require those types of housing be streamlined, meaning the city loses some control over the permitting process for two years if the city does not meet its RHNA goals.

⁵ San Luis Obispo County of Governments saw its total allocation go from 4,090 units to 10,818. The large Southern California Association of Governments went from 409,060 allocated units to 1,344,740 units.

- The Housing Crisis Act of 2019 (Senate Bill 330). This Act allows accessory dwelling units and further accelerates the permitting process. Only five public hearings may be called for a housing project. Cities cannot raise fees or change permit requirements if the applicant has submitted all necessary documents. Building standards cannot be changed after submittal, nor can projects be downzoned. Decades ago, Santa Barbara set a cap of 85,000 residents. Under this Act, such a population cap cannot be established today.

These Acts have brought out defiance in various municipalities who see their authority being stripped. Santa Barbara has been one of the rebellious cities. So far, the State has legally challenged only one city in Southern California. Nonetheless, the HCD maintains an aggressive stance to confront the way local jurisdictions avoid building housing, especially low-income housing. There are other watchdog groups that also threaten litigation. Californians for Home Ownership, for example, notified the City that it would sue if it continued delaying tactics for accessory dwelling units (ADUs), or granny flats.

The RHNA allocations have taken on new urgency as a result of this legislative muscle in the last two years. Many cities, like Santa Barbara, are not in compliance with their RHNA. Santa Barbara has one of the lowest completion rates in the county for assigned housing units.⁶ Although there was a building flurry for a time, this has slowed down to the extent that the City has accomplished only 25 percent of its current RHNA goals, including an average of 50 percent of moderate income housing and only 12 percent in the very low-income category.

Santa Barbara has less than two years to produce approximately 2,800 more housing units. How can it break through certain conceits that have created barriers to building the affordable housing it needs?

METHODOLOGY

The Jury interviewed local housing officials, developers, real estate professionals, a former planning commissioner, local housing advocates, a lawyer advocating for home ownership, a City of Santa Barbara official, and a representative from Santa Barbara County Association of Governments. In addition, the Jury studied the City of Santa Barbara website, and reviewed the Regional Housing Needs Allocation Plan 2014-2022 (RHNA) and numerous housing reports, publications and news articles. Also, the Jury attended and viewed the Santa Barbara League of Women Voters Forum on Creative Housing Solutions.

OBSERVATIONS

Santa Barbara City Council (Council) is wary of what is built and where it is built. Its primary concern has been keeping the character of the town, keeping it attractive to tourists and of value to its residents. The Council has promoted housing and especially affordable housing in the past. Just a few years ago, the Council reallocated almost \$35 million in grants and State funding to affordable housing projects.

⁶ Santa Barbara County Association of Governments 5th Cycle Progress Chart for February 2020 Percentage RHNA Completed for All Income Levels: Unincorporated Santa Barbara 78%, Guadalupe 71%, Solvang 69%, Buellton 63%, Carpinteria 62%, Goleta 50%, County 35%, Santa Maria 34%, Santa Barbara 25%, Lompoc 10%.

Recent loss of federal and state funding has curtailed Santa Barbara's housing initiatives. The Santa Barbara City 2019 Action Plan admits that local and non-federal funds are insufficient to meet housing demands. The City collects payments from its previous housing loan program, which funds the Housing Assets Fund. This fund is recycled to affordable housing projects but unfortunately it accumulates money slowly these days and can only rarely be donated to a project. In former times, loan repayments came to \$16 million annually; now they add about \$2.1 million to the City's Fund each year.

Now, the City primarily receives its housing funding from Community Development Block Grants, (CDBG) and HOME Investment Partnerships Program (HOME), totaling about \$2 million annually. This amount is not enough to finance building projects. The Community Development Department, Housing and Human Services Division, distributes this money to four main areas. Helping the homeless is first on the list, after which the City allocates funds for affordable housing, housing availability, and public facilities. In the affordable housing area, the City is limited to providing rental assistance and hoping to increase the stock of low-income rental housing "to the extent possible and based on the availability of funds."⁷ A few CDBG grants to help developers rehabilitate low-income rental housing are still possible.⁸

In recent years, the City has not done much to actually increase or improve low-income housing stock. Santa Barbara has had to devise other ways to improve the housing situation, working primarily with other non-profit housing developers or experimenting with different programs for housing development. There have been some successes, but its policies for affordable housing have faltered. City Council has neither convinced residents that affordable housing, as well as housing for the homeless, is good policy for the city and all neighborhoods, nor has it found a way to make such policies work.

Housing Authority of the City of Santa Barbara

City Council has consistently supported the Housing Authority of the City of Santa Barbara (HACSB), which has built over 70 different projects around the City. Most of its housing is offered to low or extremely low-income renters, but it also has a small Workforce Housing Program for the "missing middle." It takes pride in building quality establishments, maintaining them well, and providing enough supervision so that there is no neighborhood resistance to the affordable building or its residents in their midst.

Of the 1,300 housing units built by HACSB, 500 units were built with federal money from Housing and Urban Development (HUD). That public funding has stopped. For over 60 years, a State Redevelopment Agency distributed funds for construction to fight city blight, and the funds were often used for affordable housing. This funding too disappeared in 2012. The loss of Redevelopment Agency funds has impacted the ability to construct new housing. Recently, many of HACSB's projects have instead involved taking over existing properties and repurposing them.

All affordable housing projects depend on some form of subsidies or incentives from local government. HACSB has found it necessary to devise other independent funding techniques to

⁷ City of Santa Barbara 2019 Action Plan: Community Development Block Grant and HOME, City of Santa Barbara website, Visited February 4, 2020.

⁸ In the past year, such grants have achieved zero housing units built and seven housing units rehabilitated, according to the 2019 Action Plan.

build housing. The City had helped in the past with a \$64 million loan program for low and moderate-income housing. Because of the beneficial relationships that the HACSB has with the City Council, banks, government agencies and local neighbors, it is one of the few remaining developers in town. In fact, HACSB is the only developer to build affordable housing in Santa Barbara.

HACSB is being forced to work harder to find funding and sites to build affordable housing that is not designated for the homeless. While the State of California has pledged billions of dollars to homeless housing, little of that funding is made available for workforce housing. Recently, there have been at least two instances of affordable housing originally built for families and seniors, only to have those apartments be dedicated to mentally ill homeless clients of the Housing First program.⁹ Affordable housing is an endangered species at the moment, and it will require an extra pledge of support from City Council to keep it alive.

City of Santa Barbara Community Development Department

Few developers, other than HACSB, are left to find ways to build in Santa Barbara. The City is built out, so land is a major challenge. But city impediments also discourage building.¹⁰ Santa Barbara has a reputation of being difficult and developers go elsewhere. The process from application to construction can take anywhere from five to ten years. Even for the Housing Authority, which works well with the City and the Community Development Department (CDD), any new housing development project will be a five-year process.

The CDD's Planning Division has required a long and demanding review of applications. Plan checks, conflicting information, several boards with sometimes idiosyncratic reviews, public hearings, and high fees, all add up to costs and delays. The Jury was told that phone calls and emails are not returned and that planners at the counter would first tell someone to come back or say no rather than decide to let the project pass. The Housing Authority of Santa Barbara admitted it often hired third-party consultants to expedite the many thorny steps in the approval process that the City requires.¹¹

Affordable housing does receive some considerations. Projects with an affordable component can be streamlined through the matrix of reviews and plan checks. Some steps such as the environmental review can even be bypassed for shelters for the homeless. With the new laws, a developer can call an end to reviews after five meetings (SB 330). The State, in its efforts to mobilize housing construction, will impose more streamlined processes on community development departments if a city has not built enough affordable housing (SB 35).

To encourage building, the CDD could revise some processes and the way they are handled by staff. Fees here are considered high and delays in permitting cost developers more money. Also, builders are discouraged by delays in permit approvals. In early 2020, the CDD underwent a study of procedures and policies in the hope of promoting efficiency. For example, timelines in

⁹ See the 2019-20 Grand Jury report, *Homelessness in Santa Barbara County: Our Everyday Epidemic*.

¹⁰ The 2019 Action Plan claims that the City has a strategy for previous political actions: "Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment."

¹¹ See the 2019-20 Grand Jury report, *City of Santa Barbara Community Development Department: Make It a Can-Do Department*.

the CDD were generally not enforced. It has been disheartening to some staff within the department to hear complaints about its delays and poor customer relations.

Even before this study, the City saw a need for change in priorities and advanced an expedited method of permitting. Facing a loss of revenue because of business closures on State Street, Santa Barbara initiated the *ACCELERATE State Street* program. It offered free consultation with a planner and advice for many of the permits required, such as for plumbing, fire, environmental service and storm water. They addressed the hurdles with the Architectural Review Board and the Historic Landmark Committee in free group meetings. The *ACCELERATE State Street* program drew interest from the business community but had mixed results. Nonetheless, the CDD Divisions came together and eased requirements in the building process for business owners. The City would do well to promote the same willingness to work with affordable housing builders.

Average Unit-Size Density Incentive Program (AUD)

The Average Unit-Size Density Incentive Program (AUD) began in 2013 as an innovative method of adding housing. However, Santa Barbara’s attempt to add housing brought on an unforeseen backlash.

In selected parts of the City, developers were allowed greater density, up to 63 units per acre, especially along transportation corridors. The idea was to develop smaller units for renters in a city where home-buying is prohibitively expensive. Prior to this program, no rental housing had been built for 40 years, and over 60 percent of Santa Barbara residents are renters. On average there are over 5,000 individuals waiting for Section 8 local housing to be available, which can take up to five years.

As an experimental idea, the AUD program was slated to be in effect for eight years or until 250 residential units were constructed.

AUD Projects¹²	Pending Units	Approved Units	Building Permits Issued	Completed Units
Medium-high density	24	80	24	92
High density	173	186	125	185

The working theory was that rents would be lower because there would be more units on the market, and because units were small, they would be “affordable by design.” However, not enough units were built to affect the market rate. Later, a planning commissioner said that the AUD program was never meant to include affordable or workforce housing.¹³

Rents remain high. Without incentives from the City, developers will naturally seek to maximize profit and build for market rates. The poster child for this effect was the first project built under the AUD program, a condominium complex on State Street where unit rents ranged from \$3,500

¹² AUD Multi-unit Housing Program Background. *City of Santa Barbara Website*. Visited February 4, 2020.

¹³ Giani Margoli, “Planning Commission Spurns Inclusionary Housing Requirements for Santa Barbara AUD Projects.” *Noozhawk.com*, March 3, 2019.

to \$5,600 a month. On the same block, the Housing Authority working with California Lutheran Homes successfully built 58 units for low-income seniors as an AUD development, with an average rent of \$711 per month. Without requiring some affordable units, new housing projects gravitate toward luxury status exclusively.

Moreover, the City inadvertently built this failure into the AUD program. Housing that qualified as affordable to low-income or very low-income renters did not count toward the 250-unit ceiling. The result was that developers rushed to get permits for building housing that was not designated as affordable before the upper limit of 250 units was reached.

In 2017, it was reported that developers were allowed to “run rampant” because of this incentive program.¹⁴ At that time, permits were approved for 317 medium and high-density units and 470 more were in the pipeline. City Council began to receive complaints about tearing down affordable housing to build new expensive housing leading to gentrification and ruining the character of neighborhoods. In February 2017, it directed staff to meter out permitting. Only then, in July 2017, did the City Council create a Housing Task Force to examine how the AUD program could provide affordable workforce housing for those people who work in Santa Barbara.

City Council is now reviving affordable building programs. In describing its Density Bonus Program, no longer calling it the AUD program, the 2019 Action Plan states, “As a tradeoff, some or all of the units on the site are subject to rent restrictions or resale controls which provide for continued affordability to low income renters or moderate income purchasers for at least 90 years.” The 2019 Action Plan claims that since the City’s Density Bonus Program in the early 1980s, building projects contained 415 bonus units and 961 affordable units. The City is taking credit for units built prior to the 2013 AUD program.

For many years Santa Barbara had used inclusionary housing for creating affordable units. Yet in the enthusiasm for the AUD program, there was no regard for including affordable housing. The City used to attract builders who would include affordable units in their projects by offering such incentives as higher densities, tax abatements, parking reductions or smaller set-backs from property lines. These units were sold or rented to low or even moderate-income tenants as established by HUD. As time went by and building costs increased, private developers did not choose such reductions in the number of profitable units and paid an in-lieu fee instead. Without a number of subsidies, developers consider inclusionary housing infeasible in Santa Barbara.

In 2017 and again in 2018, Santa Barbara City Council showed reluctance to reinstitute an inclusionary requirement and postponed it for over two years. It did not want to chase developers away when building costs were so high. When inclusionary housing was again considered in 2019, the State regulation of 10 percent inclusion of affordable units in projects with ten units or more created an impasse on the Planning Commission and City Council. Eventually, the City Council adopted an ordinance, calling for 10 percent affordable units downtown and 15 percent in other parts of the city. By comparison, Goleta passed an inclusionary rate of 20 percent.

Accessory Dwelling Unit Program (ADU)

After the State of California established the Accessory Dwelling Unit Program (ADU), also known as granny units, and it became part of State law mandating construction of more

¹⁴JEC Molina, “12-unit Rental Duplex and House Project Proposed for Westside.” *Santa Barbara Independent*, August 7, 2017.

affordable housing in 2019, there were missteps in Santa Barbara's implementation of its ADU Program.

The ADU program allows homeowners to add smaller dwelling units on their property for rental; laws now also allow the creation of duplexes from existing single-family residential property. The ADU program was considered to be a way to complete the City's RHNA allocations and a way to bring numerous previously existing illegal units into the housing count. About 40 percent of the permits from the first year of applications went to legalize existing accessory dwellings. Up to 2016, there were only 16 permitted ADUs and by early 2020, there were over 400 ADUs in the City.

Within months of the 2017 State authorization of ADUs, Santa Barbara had hundreds of permit applications for both new and existing units. The Community Development Department (CDD) reportedly became overwhelmed.¹⁵ ADUs were subject to ministerial architectural review, which should have eased processes in the CDD. At that time, cities still had jurisdiction over minimum square footage, off-street parking requirements, size, height, and owner occupancy.

The City Council specifically made certain that granny units could not be converted to a vacation rental, a big issue in the loss of affordable housing in Santa Barbara.¹⁶ Advocates of ADUs promoted them as a source of affordable housing. One City Council member, however, warned that Santa Barbara should have no illusion that granny units would become affordable.¹⁷ There are no regulations on maximum rents for ADUs.

The State of California passed additional ADU regulations in 2019, when the Governor of California made the housing and homeless crisis a priority for the State, and cities had to adopt regulations consistent with those of the State by January 1, 2020. ADUs can now be allowed in all single-family and multi-family zones, off-street parking requirements are reduced, the main house does not have to be owner-occupied, and there is no minimum size for the lot and no maximum size for the unit. The State also created Junior Accessory Dwelling Units, with no mandated shower or kitchen. The State regulations preempt Santa Barbara's regulations. Santa Barbara scrambled to delay implementation of the more lenient regulations. Claiming limited time to amend city ordinances, City Council voted to delay the new allowances until one year later in December 2020.

Santa Barbara placed an emergency moratorium (Interim Emergency Ordinance 5927) on the ADU program in historic and fire zones for a year. ADUs bring more residents to neighborhoods, adding more parking and traffic to streets. Older and hillside neighborhoods would be impacted, especially in times of wildfires. As a charter city, Santa Barbara thought it would be able to determine where it could exempt additional areas from new ADUs.

City Council also considered broader measures for local control, but such defiance of State laws did not gather the six votes needed on the council.¹⁸ The Californians for Home Ownership, an advocacy group for home ownership, viewed these acts as an avoidance measure, and they threatened to sue Santa Barbara for not following the law to allow ADUs. In the end, the

¹⁵ Joshua Molina, "Santa Barbara Council Starts Crafting Ordinance for 'Granny Units.'" October 24, 2017.

¹⁶ The 2020-21 Santa Barbara City Budget and Notes shows that 2,913 units of the city's housing units, or 7.7%, are vacant. On top of this, 1,015 housing units, or 2.7%, are seasonal, recreational or occasional use housing.

¹⁷ Molina, Joshua. "Santa Barbara Council Starts Crafting Ordinance for 'Granny Units.'" *Santa Barbara Independent*. October 24, 2017.

¹⁸ Nick Welsh, "Attack of Granny Flats." *Santa Barbara Independent*. December 19, 2019.

organization accepted Santa Barbara’s fire zone exemption but said it would keep an eye on any abuses of historic neighborhood exemptions.

Unlike other housing projects, ADUs are relatively easy and inexpensive to build. Only a ministerial permit is required with the Planning Division, and land costs are not an issue. There is no discretionary review as part of the otherwise lengthy permitting process. Yet the City and the CDD still sought more involved permitting discretion beyond ministerial review when considering size, height, design and density zoning.

It must be noted that the 2020 laws for ADUs include a requirement that “local agency housing elements... include a plan that incentivizes and promotes the creation of ADUs that can offer affordable rents for very low, low-, or moderate-income households.”¹⁹ For its part, the State HCD must develop a list of State grants and financial incentives in connection with the planning, construction and operation of affordable ADUs.²⁰ In other words, Santa Barbara must also revise the ADU program to be part of any affordable housing program. Without such action the State could negate local housing decisions that disallow or discourage affordable housing.

Community

ADUs, AUD housing and inclusionary housing have all faced resistance in a community with a great reluctance to change. Even as the ADU and AUD programs were getting underway, public criticism was heard about density, parking problems, traffic congestion and the loss of character in the neighborhood. The Milpas Street area, where affordable housing would be welcome, has been declared off limits by the City. This neighborhood had a fear that, with these new housing options, it would be “dumped on” by the City and developers. Yet, as the Housing Authority has shown throughout the city, affordable housing easily blends in with a neighborhood’s character.

Two proposed projects for very low-income households in downtown Santa Barbara brought out vocal neighbors who opposed such projects. One of the projects included tiny homes for the formerly homeless. Neighborhood objections stopped the project, and the Housing Authority decided to attempt to build workforce housing on the site instead. That project is also being opposed by the neighborhood. Without the backing of City leaders, affordable housing is fiercely resisted.

The Role of the City Council

The Santa Barbara City Council appears to be very provincial when making affordable housing decisions that would impact their districts. For the past few years the City Council has wavered in its affordable housing policies. It now needs to define a more certain path in terms of planning, building, financing, and leadership. As the State continues to require immediate housing and the RHNA deadline approaches, the City would do well to extend its innovative spirit, as previously demonstrated by the AUD program, to affordable housing. The COVID-19 pandemic will deflate the budget in so many ways that the only way forward will be to act in groundbreaking ways.

¹⁹ AB671, approved by the Governor on October 9, 2019

²⁰ Health and Safety Code Section 50504.5

There are actions the City Council can take to open the doors to affordable housing without impacting the budget. The Council could direct the Community Development Department to allow form-based zoning. This type of zoning looks at the individual project, its form, façade and scale, and if it can blend into the surroundings. Multi-unit projects can be designed to match the character of a neighborhood. There is also multi-use zoning which has the flexibility to allow housing in different areas of the City. During a presentation to the Council in November 2019, the Council asked how they could help housing issues. The immediate suggestion from a senior County representative was to identify land, including publicly owned properties, that could be used for development or rehabilitation and that the City apply directly to the State for funding. The Council was told that developers would then have the confidence that a project could go forward.

Developers have been discouraged from building affordable housing. The City needs to regain their trust by assuring them that they could complete the permitting and building process with few complications or delays. This streamlining could come through future changes in the Community Development Department. Delays increase costs, which are already considered high in this city. As one local housing expert told the Jury, “If you can’t cut fees, cut the time.” In addition to the permitting process, it is time for the zoning codes to be revised to ease restrictions on alternative building types. Modular housing, small homes and even 3-D printed housing have been proposed as being quick and inexpensive to build or install.

It is true that affordable housing for low or moderate-income families needs an infusion of subsidies or tax incentives, which will be difficult to promise with the expected economic retrenchment. There will be a need to build layers of financing among public and private entities. A new outlook on the benefits of affordable housing could reform the incentives for approaching those entities. Just as large health insurers have found that building housing for clients with health needs reduces high cost demands on health services, the City too should promote the idea that housing more of its workers would have financial benefits for its budgetary demands. Workers’ children would go to local schools, and the parents would shop locally and frequent the myriad restaurants and entertainment centers here. Not only would the workers pay local taxes, but they would also enrich the culture of the community. Such social investment could lead to many other partnerships, with school districts, colleges, non-profits, or businesses, and would have long-term benefits for housing.

Mostly, the City Council needs a change in vision. It has spent the recent years guarding the interests of certain residents and neglecting the rich diversity of people that the City celebrates. The City of Santa Barbara needs to show that it will embrace affordable housing or inclusionary housing, as it did decades ago. Council members have been silent regarding recent low-cost housing developments, and those building efforts have floundered. The leadership of the City has prevaricated about regulations, numbers and measurements for height, size and many other finite matters. This indecisiveness has set one neighbor against another. Now each councilmember has the opportunity to show that for the sake of the entire City, they can welcome housing for all those thousands of people who contribute by working here but cannot enjoy living here.

CONCLUSION

The 2019-20 Santa Barbara County Grand Jury concluded that the City of Santa Barbara needs to act in a forward and positive manner, rather than resist change and avoid State of California

orders to build housing. Instead of protecting what is already here, it can think in terms of what could be here. Santa Barbara has been a city that has won the reputation of being unique and beautiful, in part due to caution over development. The City's inactions have come at a cost that many residents or potential residents have borne: they cannot call Santa Barbara home. The negative thinking of "no, we can't" needs to become "yes, we can," and "let's see how we can do this together." This positive attitude has been missing in the Community Development Department and in the City Council.

Santa Barbara City Council can rightfully claim that 15 percent of its housing stock is affordable because of past efforts with the Housing Authority and inclusionary housing. It can be a leader in its own community again by openly supporting affordable housing. In the past year, two low-income housing projects have been withdrawn while the Council remained silent. To show strong leadership, the Council needs to regain the political will to make affordable housing a priority.

FINDINGS AND RECOMMENDATIONS

Finding 1

There is a shortage of low and middle-income housing units in the City of Santa Barbara.

Recommendation 1

That the Santa Barbara City Council develop and implement a plan for the creation of low and middle-income housing units.

Finding 2

The Santa Barbara City Council has not identified permanent sources of funding to facilitate the development of low and middle-income housing units.

Recommendation 2

That the Santa Barbara City Council obtain or create continuous reliable sources of funding to facilitate the development of low and middle-income housing units.

Finding 3

The Santa Barbara City Council has not identified publicly owned properties that would be appropriate for low and middle-income housing units.

Recommendation 3

That the Santa Barbara City Council identify and obtain publicly owned properties that would be appropriate for low and middle-income housing units.

Finding 4

The Santa Barbara City Council delayed development of Accessory Dwelling Units despite the directives set by the State of California.

Recommendation 4

That the Santa Barbara City Council fully implement the State of California directives related to Accessory Dwelling Units.

Finding 5

The Santa Barbara City Council has failed in recent years to require inclusionary or low and middle-income housing units when approving housing developments.

Recommendation 5

That the Santa Barbara City Council require inclusionary or low and middle-income housing units when approving housing projects with ten units or more.

Finding 6

The City of Santa Barbara does not utilize form-based zoning.

Recommendation 6

That the Santa Barbara City Council instruct the Community Development Department to bring to the City Council recommendations for adoption of an ordinance for form-based zoning.

Finding 7

The City of Santa Barbara's zoning ordinance does not adequately allow for consideration of cost effective alternative building types, such as modular housing, small homes, and 3-D printed housing.

Recommendation 7

That the Santa Barbara City Council instruct the Community Development Department to revise the zoning ordinance to allow for cost effective alternative building types, such as modular housing, small homes, and 3-D printed housing.

Finding 8

The City of Santa Barbara does not maximize the use of multi-use zoning in all parts of the City.

Recommendation 8

That the Santa Barbara City Council instruct the Community Development Department to bring to the City Council recommendations for adoption of an ordinance that amends the zoning code to allow for multi-use zoning in all parts of the City.

Finding 9

The City of Santa Barbara has not maximized the use of subsidies, lower fees or incentives to encourage builders to construct low and middle-income housing units.

Recommendation 9

That the Santa Barbara City Council develop and implement a plan to lower costs for development of inclusionary or low or middle-income housing units through the use of subsidies, lower fees or incentives.

REQUEST FOR RESPONSE

Pursuant to *California Penal Code Section 933 and 933.05*, the Santa Barbara County Grand Jury requests each entity or individual named below to respond to the enumerated findings and recommendations within the specified statutory time limit:

Responses to Findings shall be either:

- Agree
- Disagree wholly
- Disagree partially with an explanation

Responses to Recommendations shall be one of the following:

- Has been implemented, with brief summary of implementation actions taken
- Will be implemented, with an implementation schedule
- Requires further analysis, with analysis completion date of no more than six months after the issuance of the report
- Will not be implemented, with an explanation of why

City of Santa Barbara – 90 days

Findings 1, 2, 3, 4, 5, 6, 7, 8, and 9

Recommendation 1, 2, 3, 4, 5, 6, 7, 8, and 9