

July 23, 2002

Honorable Rodney S. Melville, Presiding Judge
Santa Barbara County Superior Court
312-C East Cook Street
Santa Maria, CA 93456-5369

Mary Anne Harrison, Foreperson
County Grand Jury
1100 Anacapa Street
Santa Barbara, CA 93106

Board of Supervisor's Response to the 2001-2002 Grand Jury Report entitled
"Housing the Citizens of Santa Barbara County"

Dear Judge Melville and Grand Jury Members:

During its regular meeting on July 23, 2002 the Board of Supervisors adopted the following response to the findings and recommendations in the 2001-2002 Grand Jury Report entitled "Housing the Citizens of Santa Barbara County".

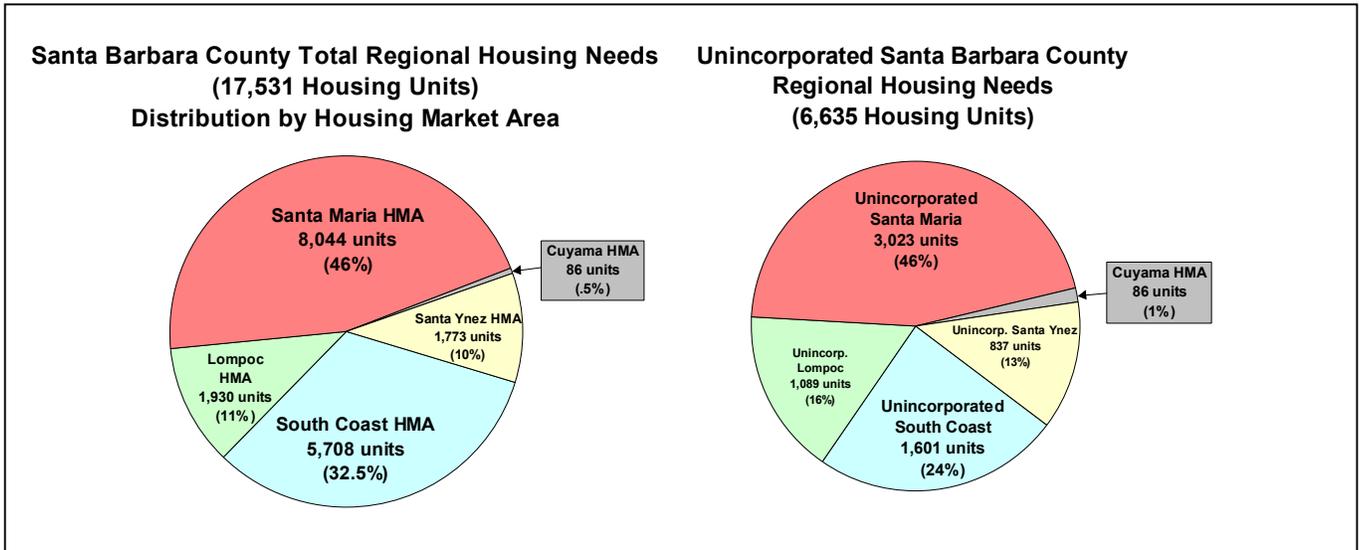
FINDING #1: The cities and County will have great difficulty in achieving the State mandated housing goals.

Response to Finding #1: Agree.

California State law requires each governing body of local government to adopt a comprehensive, long-term general plan for the physical development of the county. The housing element is one of the seven mandated elements of the local general plan. Housing element law, enacted in 1969, mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. As a result, housing policy in the State rests largely upon the effective implementation of local general plans and, in particular, local housing elements.¹

Regional Housing Needs Assessment is part of a statewide mandate to address housing issues that are related to future growth in the State. As part of the Regional Housing Needs program, the State has mandated that Santa Barbara County, including cities and unincorporated areas, will need to adopt plans and provide zoning to accommodate 17,531 housing units over the period January 2001 to July 2008 (7 1/2 years). Specifically, the County will need to adopt a plan to accommodate 6,635 of these units within the unincorporated area. See the following Regional Housing Needs charts depicting Countywide and unincorporated distribution:

¹ California Housing and Community Development, <http://www.hcd.ca.gov/hpd/hrc/plan/he/>



Planning for these units will be challenging because Santa Barbara County has a very low affordability index and minimal appropriate land available for housing. In January of 2002, houses in Santa Barbara County were ranked as the least affordable in the State of California by the California Association of Realtors. Only 14% of local households (32% statewide) could afford the median priced home, which reached \$407,900. An income of approximately \$105,000 is needed to qualify for a loan on a house of the stated price.²

In addition, Santa Barbara County is unique among other counties in that 45% of the County’s 2,750 square miles is owned by the Federal Government in order to accommodate the nation’s third largest Air Force base and pristine national forest. Another 38% of the County land is in “Agricultural Preserve” vital to the County’s thriving agricultural industry. Agriculture is a \$735 Million industry in Santa Barbara County with crops such as strawberries that rank third in national production. As a result, the vast majority of the County’s population resides in densely populated urban environments.

Further complicating the issue is much of the community’s reluctance in accepting growth, particularly for multi-family housing or affordable units often due to concerns regarding the impact on traffic, density and schools as a result of accommodating additional units. Often projects require multiple hearings at the Planning Commission or Board of Supervisors to debate the above-mentioned concerns; or delays in processing of permits can contribute to the time it takes to receive approval for a permit. The National Association of Home Builders (NAHB) claims that up to 10% of the cost for building new homes is attributable to excessive regulation and delays. NAHB further stipulates that in highly regulatory communities, the costs approach 20%. A NAHB Survey of Builders in 42 metro areas estimates that 22.2% of applications for rezoning and issuance of building permits take 24 months or more.

At this time Santa Barbara County does not readily have data that quantifies the exact cost or permitting time of development that is attributable to the regulatory process. Obtaining the data requires acquiring proprietary information and deciphering what delay is attributable to regulatory process vs. financing or investment decisions. Regardless, managing permit processing time is a significant factor in development and will continue to be a priority for the Board of Supervisors.

Another difficulty is lack of affordable housing funds available in the County due to lack of Community Development Block Grant Entitlement status. The County has been creative in working with both public and private partners in the community, obtaining grant funds and through State and Federal leverage of local funds. In the period 1995-2001 the County subsidized 525 units with an average subsidy of \$10,877 per unit. The average construction cost per unit was \$93,584 per unit, although this number is slightly skewed from the

² California Association of Realtors, <http://www.car.org/>

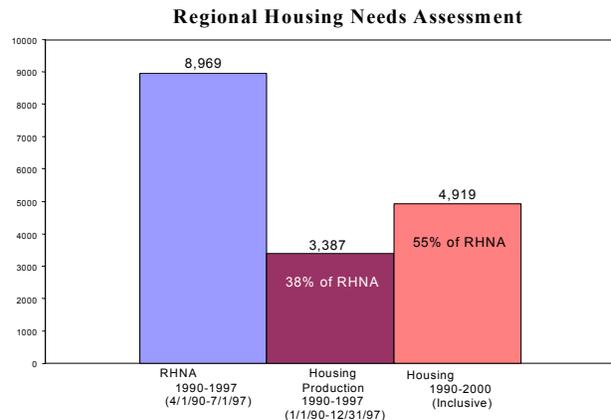
market rate cost of construction due to a few factors. First, some of the projects were rehabilitation of existing units. Average construction costs for new construction only was \$101,532 per unit. The second issue is that, two out of the fifteen projects were subject to Davis Bacon (Federal) and Prevailing Wage (State) which results in more expensive construction costs. The County continues in its lobbying pursuits for Community Development Block Grant funds and is optimistic that opportunities to develop affordable housing projects will increase in years to come.

The Board of Supervisors realizes that compliance with the State mandate will be challenging and has responded by providing an expansion of funds in the fiscal year 2002-03 budget for an additional senior level planner and an Environmental Impact Review specifically for the Housing Element, as well as a Housing and Community Development Director.

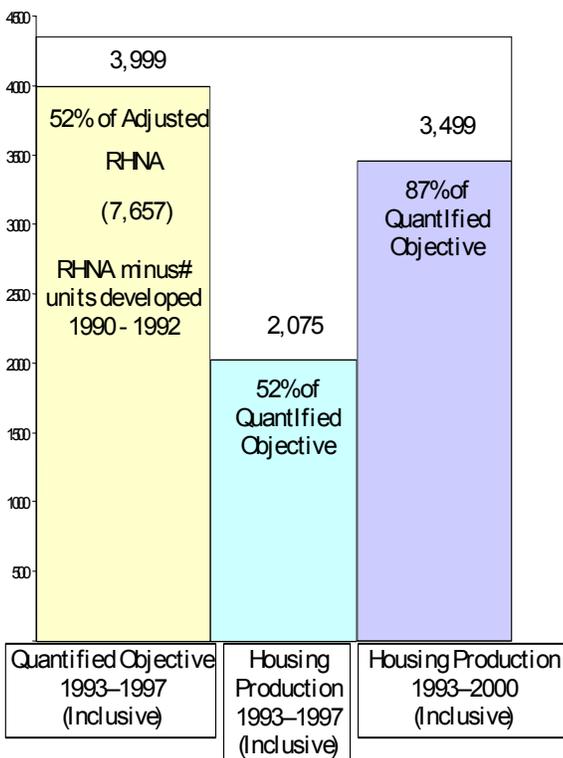
RECOMMENDATION #1: *In meeting the housing goals established by the State and soon to be allocated by SBCAG, the cities and County need to establish policies and metrics to facilitate the necessary actions and to track performance.*

Response to Recommendation #1: The recommendation has been implemented.

The County has not fully achieved the regional housing needs objective and is currently in the process of reconsidering the performance of the programs from 1993 Housing Element. The County is also assessing which programs were the most successful and reconsidering strategies and priorities for the 2003 Housing Element. Overall the County has achieved 55 % of the Regional Housing Needs Assessment. See adjacent chart.



Quantified Objectives



The State requires Housing Elements to include “quantified objectives” for local jurisdictions to identify the total number of housing units by income category that is expected to be constructed, rehabilitated, and conserved over a five-year period (actual units constructed vs. the planned requirement for RHNA). Typically, a local jurisdiction’s “quantified objectives” are lower than the Regional Housing Share in that the “quantified objectives” indicate the number of housing units the jurisdiction **realistically** believes it could obtain over a five year period. For the 1993 Housing Element process, the County achieved 52%, or 2,075 units of the Quantified Objective. See adjacent chart: Quantified Objectives. Due to various issues at the State, the Quantified Objective period was extended to include the units produced during 1998-2000. Using the updated schedule, the County achieved 87%, or 3,499 of the Quantified Objective.

The distribution of the actual production of the 3,499 is summarized in the following table:

Quantified Objectives Housing Production by Program 1993-2000						
	Very-Low	Low	Lower- Moderate	Upper- Moderate	Above Moderate	Total
Inclusionary	58	91	30	69	1970	2218
AHO	50	10	8	18	165	251
Density Bonus	2	2	0	0	28	32
Non-Program*	211	0	0	47	576	834
Rehabilitation**	28	28	0	0	0	56
Conservation	8	100	0	0	0	108
Total	357	231	38	134	2739	3499

*Includes projects with less than four units not subject to inclusionary requirements.

**Numbers are estimates, and include some of the projects funded by the Treasurer Tax Collector's Housing Finance Division. Other projects funded in part by the TTC were included in other categories.

Housing Element law also requires the State Department of Housing and Community Development (HCD) to review local housing elements for compliance with State law and to report its written findings to the local government. Specifically, Government Code Section 65588 sets regulations to monitor the effectiveness of the element, the progress in implementation, and the appropriateness of the goals, objectives and policies. In addition, Government Code Section 65400 provides guidance on annual reporting requirements.

The State Code defines housing characteristics that should be documented and analyzed, such as total number of housing units, condition of the housing stock, incidence of overcrowding, fair market rents and median sales prices and vacancy rates. The County Planning and Development Department has existing policies and procedures in place to implement this State requirement and will track performance through annual reports to the Board of Supervisors. The Board plans on taking an active role in defining goals and priorities for housing objectives concurrent with the 2003 Housing Element process that is currently underway. The Board intends to use this process to identify additional metrics to evaluate performance.

FINDING #2: The cities and County have already lost valuable time in setting goals and policies to achieve housing growth rates to provide adequate housing for citizens

Response to Finding #2: Disagree.

Although we cannot speak for the cities, the County has allocated resources toward identifying measures, actions and policies aimed at producing housing for all income levels as well as in conserving and upgrading existing affordable housing. On a regional policy level, Board designees Supervisor Rose, Supervisor Schwartz and staff have been representing the County in monthly meetings of the south coast Cities/County Housing Task Force. Members of this group include the County, the Cities of Santa Barbara, Carpinteria and Goleta, the City of Santa Barbara Housing Authority, the County Housing Authority, the Santa Barbara County Association of Governments and various housing related public interest groups. The meetings provide a forum to discuss policy issues and strategies related to the provision of affordable housing on the south coast. Recently, the agendas have included discussion between jurisdictions working collaboratively on the regional housing needs program.

One notable example of program collaboration is the planned Mercy Housing project. The County has limited sites and scarce resources (due to lack of Community Development Block Grant entitlement funds) and often needs to collaborate with cities in order to build projects. The County is currently working with the City of Santa Barbara on the Mercy Housing project, which projects to create 75 family rental units and 95 senior rental units. The City of Santa Barbara has annexed the unincorporated lands so that funding from the City of Santa Barbara Redevelopment Agency can partially subsidize the project.

The County also uses the HOME Consortium as a forum for policy discussions and identification of potential joint city county projects. The HOME consortium includes the cities of Santa Maria, Lompoc, Solvang, Buellton, Goleta and Carpinteria.

The Board of Supervisors has set goals and policies related to housing, particularly affordable and special needs housing, via the State required Housing Element process. Staff has continued to implement policies as directed in the County's 1993 Housing Element and subsequent Interim Housing Element Amendments. Descriptions of major programs in the 1993 Housing Element are provided below:

Bonus Density

The program allows that any residential development project of 5 or more units, where a set percentage is designated for affordable or special needs housing, is eligible for a 25% bonus in the market rate density allowed on site as well as other incentives including: fast-track permit processing, modifications to development standards and financial subsidies.

Inclusionary

The County has an adopted Inclusionary Program, applicable to residential projects of 5 or more units, requiring a designated percentage of the project's units be affordable, or that the required number of affordable units be provided off-site, or that an in-lieu fee be paid so that the units may be developed elsewhere by the County.

Affordable Housing Overlay

The County's Affordable Housing Overlay (AHO) program provides significant density bonuses and other incentives for development of affordable housing projects on certain designated sites throughout the County overlaid with the AHO zoning designation

Variable Density

Studio and one-bedroom units tend to be more affordable by their nature. Variable density programs encourage production of one-bedroom and studio units by adjusting how the densities of development projects are calculated.

Residential Second Units Program

A second unit provides complete, independent living facilities for one or more persons, on the same lot as a primary residence. Second units are intended to provide housing opportunities for the elderly and limited-income households while ensuring a safe and attractive single-family-style residential environment. Current County regulations allow development of second units under specified circumstances.

First Time Home-buyer Assistance Program

The existing County employee home-buying assistance program includes a loan program to help cover down payment and closing costs in the North County.

Special Needs Programs

The County presently uses its financial programs to support development of special needs housing.

Farm worker Housing

The County currently allows for farm worker housing in agricultural areas. However, the standards and permit requirements have not produced needed farm worker housing. New approaches to farm worker housing are under evaluation for the 2002-03 Housing Element process.

In addition, staff has begun preparation for the 2003 Housing Element which will reevaluate existing Housing Element programs and performance while further identifying potential housing programs to accommodate growth within Santa Barbara County. Some potential programs under current consideration include:

- Commercial/Industrial Development Housing Mitigation
- Transit-Oriented Development
- Rental Housing Overlay Zone
- Rental Housing Incentive Program
- Mixed-Use in Shopping Centers (new construction or retro-fit) “Greyfield Development”
- Affordable Housing Land Bank
- Luxury Housing Mitigation Fee

FINDING #3: The Board of Supervisors has approved the formation of a Department of Housing and Community Development.

Response to Finding #3: Agree. On September 4, 2001, the Board authorized the creation of the Department of Housing and Community Development, which would consolidate housing related functions that are currently dispersed among several departments

The proposed organizational structure for the new department includes a Director and appropriate staff to manage five key activities (as summarized below) – some of which would be phased-in from the existing activities of Planning and Development, Treasurer-Tax-Collector and the Office of the County Administrator.

1) Housing Production – Provide for General Rental and Market Housing, Affordable Housing, Countywide Consolidated Plan, Financing programs including CDBG, HOME, McKinney, In-Lieu Fee and other HUD funds, Fair Housing Administration, Community Outreach and Education, Elderly and Special Needs Housing, Farm Worker Housing, Migrant Housing, and Low Income First Time Buyer programs.

2) Project Expediter (Project Implementation) – Coordinate with County departments, such as Parks and Public Works, to ensure implementation of capital improvements and support services for new housing. This includes the administration of construction projects such as bike paths, parking lot construction, neighborhood visual improvements, and related elements which are called for in various community plans and/or as a result of improvements required of housing and commercial projects.

3) Technical Service –Developing innovative financing techniques and utilizing available programs, packaging loans and grants, Low Income Tax Credits, down payment assistance, etc.

4) Economic Development– Facilitate economic and community development administration, job betterment and creation incentives, infrastructure improvements and community district revitalization, business loan fund administration, business incubators facilitation, and integration with housing to affect an appropriate jobs housing balance are the responsibilities of this division.

5) Long-Range Housing Strategies– Interface with Planning and Development, monitor the affordable housing stock, conduct buyer profiles, and assist with overall long-term housing strategies.

At this time, the housing and economic development programs, with the exception of the Inclusionary Housing Production function in Planning and Development, are under the supervision of the County Administrator. This reporting relationship will continue until the appointment of the Director of Housing and Community Development, for which a recruitment is currently underway.

FINDING #4: The hiring of a department head for the County department of Housing and Community Development has been suspended or delayed.

Response to Finding #4: Partially agree.

The County launched an extensive national recruitment in the Fall of 2001 including advertisements in major publications such as:

- National Association of Housing and Redevelopment Officials (NAHRO)
- International City County Management Association (ICMA)
- American Planning Association
- Monster.com
- Los Angeles Times
- CALED newsletter (California Economic Association)

The recruitment resulted in over fifty applicants which, after a first tier review from a panel including County Administrator and Planning and Development executives, resulted in 8 final candidates that were invited to interview with a panel of community housing representatives. The panel members included:

1. Karen Thorenson, Executive Director of NAHRO
2. Paul Silvern, Land Use and Housing Consultant, HR&A Associates
3. Mickey Flacks, County Housing Authority Commission, and Affordable Housing Community Representative
4. Michael Towbes, Developer
5. Duncan Mellichamp, Special Asst to the Chancellor UCSB
6. Ginnie Sterling, Economic Development Advisory Committee, Representative City of Santa Maria HOME Consortium

The panel recommended two candidates to the County Administrator for Board of Supervisors consideration. Both candidates received offers but subsequently rejected the appointment due to various personal and compensatory issues.

Although the hiring of a department head for Housing and Community Development was temporarily delayed after the initial recruitment, the Board has directed the commencement of another recruitment, which is currently in process.

RECOMMENDATION #2: The Board of Supervisors should complete the implementation of the new Department of Housing and Community Development and aggressively pursue the hiring of a qualified department head.

Response to Recommendation #2: The recommendation has been implemented.

The Board resumed the recruitment for the Director of Housing and Community Development in closed session on June 4, 2002. The new recruitment officially opened on June 24, 2002. Staff expects a new Director will be appointed in the Fall of 2002. During this transition phase, the Housing and Finance responsibilities have been transferred from the Treasurer-Tax Collector to the County Administrator's Office.

FINDING #5: Certificates of Participation have been recently approved by the Board of Supervisors to acquire additional facilities in the City of Santa Barbara for County use.

Response to Finding #5: Agree.

The Board of Supervisors has approved acquisition of additional facilities in the City of Santa Barbara; however, those facilities are designed to accommodate the current workforce which is in overcrowded facilities

and to address Americans with Disabilities Act requirements. On 11/6/2001 the Board of Supervisors authorized the County Treasurer-Tax Collector to execute the issuance of non-taxable Certificates of Participation (COP) in an amount not to exceed \$40 million. The issuance took place on December 1, 2001 for \$31.425 million. Of the eight projects financed by the COP, three projects, the District Attorney building, the Clerk-Recorder building, and the Santa Barbara Parking Structure are within the City of Santa Barbara.

The table below identifies the location for each construction project:

Clerk-Recorder Building	City of Santa Barbara
Casa Nueva Building	Goleta / unincorporated
Mental Health Building	Goleta / unincorporated
Court Clerk's Office	City of Santa Maria
Juvenile Hall Expansion	City of Santa Maria
Juvenile Court	City of Santa Maria
District Attorney Facility	City of Santa Barbara
SB Parking Structure	City of Santa Barbara

Of the eight projects financed by the COP, only two projects, the District Attorney Building and the Clerk-Recorder building, will increase the commercial office space within the City of Santa Barbara. Both projects will reside within commercially zoned areas of the City of Santa Barbara. Detailed descriptions of the facilities are provided below.

The District Attorney building will be approximately 28,000 square feet when completed. The additional space is intended to accommodate the existing space shortage, consolidate functions and allow for growth of an additional ten staff members over the next ten years. In order to effectively provide for the Court related District Attorney function, the facility needs to be located near the existing Santa Barbara Court facility.

The Clerk-Recorder building will be approximately 11,000 square feet when completed. Existing staff from the Hall of Records will be relocated in the new facility. The Hall of Records is expected to be converted to a mural viewing room, open for public use. No additional positions are anticipated from the construction of the Clerk-Recorder facility.

RECOMMENDATION #3: The Board of Supervisors should reconsider any further acquisition of County facilities in the South Coast area in light of extreme lack of adequate affordable workforce housing.

Response to Recommendation #3: The recommendation has been implemented.

As stated above regarding the Santa Barbara District Attorney facility certain functions need to occur where the demand for service occurs. The County is obligated to provide service to both unincorporated and incorporated populations in a County that covers 2,744 square miles. In order to provide equal access to services in the various parts of the county, many services have locations in Santa Barbara, Santa Maria and Lompoc, including the District Attorney and the Clerk-Recorder. The District Attorney office needs to be in close proximity to the Courthouse, which is in the City of Santa Barbara boundary. Over half of the recorder business occurs in the south coast office for services such as copies of birth certificates, marriage licenses, etc. Since the Recorder works in conjunction with the property tax division located in the Santa Barbara County Administration building and property became available adjacent to the county parking lot, the Board felt it was appropriate to build the new facility in the City of Santa Barbara.

Again, the new construction has minimal impact on the net creation of jobs on the south coast. The facilities are to mitigate overcrowding issues, Americans with Disabilities Act requirements and consolidate District Attorney functions into one location for operational efficiency.

In addition, Board policy dictates that proposed capital projects undergo careful scrutiny as part of the annual Five-Year Capital Improvement Plan and through ancillary reports, such as the Space Utilization Report. The Grand Jury's recommendation is duly noted and will be accommodated in the future through the existing evaluation process for proposed facilities.

The Board would like to thank the Grand Jury for its Report on "Housing the Citizens of Santa Barbara County".

Sincerely,

Gail Marshall, Chair
Board of Supervisors