



# City of Santa Barbara

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**Cathy Murillo**

Mayor

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Honorable Michael J. Carrozzo and Grand Jury Foreperson Olsen:

This letter is in response to the 2019-20 Santa Barbara County Grand Jury's Report entitled "Santa Barbara Affordable Housing – An Oxymoron?" This response is provided pursuant to the requirements of State Penal Code Section 933 and 933.05. The 2019-2020 Grand Jury Report was received by the City on June 19, 2020 and includes nine Findings and nine Recommendations.

The City of Santa Barbara has a long-standing commitment to the production of affordable housing and sound community planning, which includes providing for economically diverse housing for the City's workforce. The City's General Plan also prioritizes affordable housing for extremely low, very low, low, moderate, and middle income households over all other new development.

In addition to income-restricted, and most often government-subsidized, affordable housing, the General Plan considers market-rate rental housing as a needed community benefit. It identified the Average Unit-size Density Incentive (AUD) Program as a means to incentivize smaller rental units at higher densities without any government subsidy or affordability requirements. The AUD Program was adopted in 2013 for an initial eight year trial period with monitoring to identify changes needed to meet the City's goals. In review of the project data and rental information for AUD Program projects, one of the ordinance changes included adding an Inclusionary Housing requirement in July 2019, which requires rental projects with ten units or more to provide at least 10% of units at rental rates affordable to moderate-income households (earning 80 to 120 percent of the Area Median Income).

The City Council just recently approved additional amendments to multi-unit housing standards to facilitate housing development downtown, including increasing allowed densities, reducing parking requirements, and allowing flexibility in meeting open space requirements. The subsequent phase of amendments to development standards will include encouraging studio and efficiency units, which will allow for additional density.



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The City is also updating its Affordable Housing Policies and Procedures and local Density Bonus Program to better align incentives to develop affordable housing with the housing market and the City's current housing needs.

The City will also use state grant funds to develop Objective Design Standards for multi-unit residential and mixed-use developments and is in the midst of implementing improvements to the land development review process, in the interest of a faster and more predictable development review process.

With this background information in mind, responses to the Grand Jury's Findings and Recommendations are provided below.

**Finding 1:** *There is a shortage of low and middle-income housing units in the City of Santa Barbara.*

**Response to Finding 1: The City agrees with this finding.**

**Recommendation 1:** *That the Santa Barbara City Council develop and implement a plan for the creation of low and middle-income housing units.*

**Response to Recommendation 1: Recommendation has been implemented. A brief summary of implementation actions taken is below.**

The City's Housing Element identifies housing needs for very low, low, moderate, and above moderate income households, consistent with the City's share of the Regional Housing Needs Allocation (RHNA) as determined by the Santa Barbara County Association of Governments. City Land Use and Housing Element policies prioritize housing, and specifically housing for extremely low, very low, low, moderate, and middle income households, over all other new development. Even with those policies in place, the City is not meeting the state's current housing production targets through 2022. The preliminary target numbers for the City's share of the Regional Housing Needs Allocation for the next housing cycle (2022 to 2030) are substantially higher, indicating that approximately four times the current annual housing production will be needed to meet the targets.

The City's Affordable Housing Policies and Procedures, Density Bonus Program, Inclusionary Housing requirements, decision-maker findings that offer additional incentives for affordable housing units, and the development incentives in the AUD Program for market-rate units all implement Housing Element policies that direct the creation of low and moderate-income housing units. Updates to those programs are underway and expected to be completed in 2021. Once completed, additional mandates and/or incentives for low and moderate income housing should be in place.

**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.*

**Response to Finding 2: The City disagrees partially with this finding because the City has Inclusionary Housing in-lieu fee programs that can be used to construct low and middle-income housing units, but the funds are limited.**



**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.*

**Response to Recommendation 2:** **Recommendation will not be implemented immediately because it would require creation of a tax or a new mitigation fee to establish a revenue stream for this purpose.**

Since 2004, the City has required all new residential ownership projects to provide at least 15% of the units to middle-income households or pay an in-lieu fee to be deposited into a City fund to construct new middle-income units, once enough funds are collected. A similar Inclusionary Housing requirement was adopted in July 2019 to require all new residential rental projects to provide at least 10% of the units to moderate-income households. In most instances, the developer has chosen to construct the units rather than pay the fee and the Inclusionary Housing in-lieu fee has only generated \$683,425 to date, which is not enough to construct moderate- or middle-income units.

Since the Redevelopment Agency was dissolved by the state, the City's primary mechanism to facilitate affordable housing has been establishing policies, ordinances, and discretionary findings that incentivize and expedite affordable housing developments. Consideration of funding sources for development of affordable housing will be included in the City's Housing Element Update in 2022. The City also supports and encourages the State legislature to establish financing mechanisms to subsidize the development of affordable housing.

**Finding 3:** *The Santa Barbara City Council has not identified publicly owned properties that would be appropriate for low and middle-income housing units.*

**The City disagrees with this finding because the City is currently partnering with the Housing Authority of the City of Santa Barbara to redevelop the City-owned commuter parking lot at Carrillo and Castillo Streets with moderate-income housing.**

**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.*

**Response to Recommendation 3:** **Recommendation will not be implemented immediately because it requires further analysis.** The City has analyzed the potential for redevelopment of City-owned parcels with affordable housing and identified the commuter parking lot at the corner of Carrillo and Castillo Streets as the most viable and appropriate site. An analysis of other potential surplus government properties that would be appropriate for affordable housing may be considered as part of the "suitable sites" inventory and updated policies, which will be part of the City's Housing Element Update in 2022.

**Finding 4:** *The Santa Barbara City Council delayed development of Accessory Dwelling Units despite the directives set by the State of California.*

**Response to Finding 4:** **The City disagrees wholly with this finding.**

When the state legislature amended state laws to facilitate construction of Accessory Dwelling Units (ADUs), effective in 2017 and 2020, the City continued to receive and process ADU

applications in compliance with state law. In fact, since 2017 and as of June 2020, the City has processed 548 ADU applications and those projects are either completed, under construction, or in the permit review process.

**Recommendation 4:** *That the Santa Barbara City Council fully implement the State of California directives related to Accessory Dwelling Units.*

**Recommendation will be implemented.**

Due to the significant changes in state law effective January 2020, the City temporarily paused allowing ADUs on properties in several high fire hazard areas to allow staff to review updated wildfire hazard data under preparation by the City's Fire Department. The updated wildfire hazard data will allow decision-makers to make an informed decision about public health and safety conditions with respect to ADUs, in compliance with state law. That information, along with amendments to the Zoning Ordinance for ADUs in compliance with state law, was presented to the Planning Commission on August 6, 2020. The Planning Commission will hold a second hearing on September 3, 2020 and forward a recommendation to City Council. The Zoning Ordinance amendments are tentatively scheduled for Ordinance Committee recommendation to City Council on September 29, 2020. The City Council hearing is tentatively scheduled for November 10, 2020.

**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.*

**Response to Finding 5: The City partially disagrees with this finding. An explanation is provided below.**

**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.*

**Response to Recommendation 5: Recommendation has been implemented. A brief summary of implementation actions taken is below.**

Since 2004, the City has required all new residential ownership projects with ten or more units to provide at least 15% of the units to middle-income households (earning 120 to 160 % of the Area Median Income). A similar Inclusionary Housing requirement was adopted in July 2019 to require all new residential rental projects with ten units or more to provide at least 10% of the units to moderate-income households (earning 80 to 120 % of the Area Median Income).

**Finding 6:** *The City of Santa Barbara does not utilize form-based zoning.*

**Response to Finding 6: The City agrees with this finding.**

**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.*



**Response to Recommendation 6: Recommendation will not be implemented immediately because it requires further analysis.**

City Council directed staff to evaluate form-based codes in December 2019. The City is currently developing objective design standards and Floor-to-Lot Area Ratios (FARs) for multi-unit residential and mixed-use developments. These new standards will regulate building forms in an objective manner, similar to some form-based codes, and possibly achieve the same result. City staff will return to Council with an evaluation of form-based codes when presenting the FAR standards in early 2021, and objective design standards as those are further developed over the next year.

**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.*

**Response to Finding 7: The City disagrees wholly with this finding because the Zoning Ordinance does not regulate these building types.**

**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.*

**Response to Recommendation 7: Recommendation will not be implemented. A brief explanation is below.**

The Zoning Ordinance generally regulates the use, height, and location of development on lots and does not regulate building materials or construction method. Therefore, it is not necessary to revise the Zoning Ordinance to permit the building types listed above. Any of those building types could be proposed under current land use and zoning regulations as long as they meet other applicable health and safety regulations.

**Finding 8:** *The City of Santa Barbara does not maximize the use of multi-use zoning in all parts of the City.*

**Response to Finding 8: The City agrees with this finding.**

**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.*

**Response to Recommendation 8: Recommendation will not be implemented. A brief explanation is below.**

Uses are separated in the City for a variety of reasons to promote health, safety, and well-being of the public. The City allows residential uses in nearly all zone districts, except for the Light Manufacturing (M-I) Zone and Hotel and Related Commerce II (HRC-II) Zone. In contrast, other jurisdictions do not explicitly allow residential uses in all zones and applicants must seek special approval to propose housing in commercial zones.

The City's General Plan is clear in that the focus for new residential development should be in the downtown core and other areas close to jobs, transportation options, commercial services, and recreational opportunities. The State and the City also have an interest in efficiently using our transportation network and minimizing vehicle travel. Increasing residential density in the outer, more suburban areas of the City would generate additional vehicle trips for residents to commute to jobs, school, and to visit necessary commercial services, in direct conflict with the policies and objectives of the General Plan and sound community planning.

The City's current Accessory Dwelling Unit regulations allow for increased densities in the City's suburban neighborhoods, consistent with state law. With regard to multi-unit housing, the most appropriate location is Downtown and along the commercial corridors, where it is already allowed with zoning. The City will need to update our Housing Element in 2022 in order to accommodate our share of the county's RHNA and to meet our local housing goals, and the potential for up-zoning some areas of the City could be considered at that time.

**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.*

**Response to Finding 9:** **The City agrees with this finding.**

**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.*

**Response to Recommendation 9:** **Recommendation will not be implemented immediately because it requires further analysis.**

This recommendation can be considered with the Housing Element update in 2022. The City does not currently have a reliable funding source to subsidize affordable housing projects. The City supports state legislation that provides for new mechanisms to fund affordable housing projects with developer subsidies. The City's AUD Program and Density Bonus Program provide incentives for all types of residential development, including affordable housing projects. Any fee reductions would need to be considered by the City Council as part of budget deliberations.

Should the Grand Jury have any questions regarding the City's response or wish to follow up with the City, please contact me, City Administrator Paul Casey or City Attorney Ariel Calonne.

Sincerely,



Cathy Murillo,  
Mayor

Cc: City Councilmembers

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