

Mr. Berman updated the Commission on the forthcoming plans to replace the Railroad Bridge over Sycamore Creek that will be a part of another project

David Beard, Caltrans Project Manager, responded to the Planning Commission's question about the tennis court area by describing the stucco finish on the tennis wall, as approved by the Architectural Board of Review and Historic Landmarks Commission.

Kirsten Ayers responded that graffiti abatement in the construction zone is the responsibility of the contractor, and then the owner once the project is completed. The Milpas Street Southbound on-ramp will be opening soon and is month ahead of schedule. Ms. Ayers explained the staging for the Hot Springs Road roundabout construction will be shifting around and is in the first stage of construction, with the second stage scheduled to start soon.

V. **NEW ITEMS:**

**ACTUAL TIME: 2:21 P.M.**

A. **APPLICATION OF STEVEN FAULSTICH, CITY HOUSING PROGRAMS SUPERVISOR, REQUESTING THAT THE PLANNING COMMISSION MAKE A RECOMMENDATION TO THE CITY COUNCIL REGARDING THE PROPOSED AMENDMENTS TO THE CITY'S INCLUSIONARY HOUSING ORDINANCE (MST2008-00574)**

The project would amend the IHO to apply to projects with two to nine units. An in-lieu fee of \$17,800 per market rate unit included in the project would be charged when an affordable unit would not be provided as part of the project. The ordinance would also state that where two to four new units are proposed, the first unit would not be required to pay the in-lieu fee. The requirement for a lot area modification for inclusionary housing would be eliminated. Projects that provide 30% of the units as upper-middle income affordable units would be exempt from the ordinance. The in-lieu fee could be used for purchasing and reselling of existing middle and upper middle income housing, subsidizing the creation of middle and upper middle income housing, and ensuring compliance with middle and upper middle income housing policies and procedures.

The required Planning Commission action for this project is a recommendation to the City Council regarding the proposed Ordinance Amendment.

On March 19, 2009, the Planning Commission held an environmental hearing to receive Planning Commission and public comment on the Draft Mitigated Negative Declaration (MND) for the proposed amendment. The City Council will consider and adopt the Final Mitigated Negative Declaration when it considers the amendment to the IHO.

Case Planner: Michael Berman, Environmental Analyst/Project Planner  
Email: MBerman@SantaBarbaraCA.gov

Michael Berman, Environmental Analyst/Project Planner, and Steven Faulstich, Housing Programs Supervisor, gave the Staff presentation. .

Chair Larson opened the public hearing at 2:45 P.M.

The following people spoke in opposition to the amendment or with concerns:

1. Jim Caldwell, Santa Barbara Association of Realtors, resubmitted written comment and stated that dropping the threshold below five units would cause housing prices to go up and if developers felt they could not recuperate the cost, they would just not be able to develop.
2. Cathie McCammon, Allied Neighborhood Association, felt that in-lieu fees would fall on the small market rate units and asked the Commission for a temporary compromise such as only applying the in-lieu fees for development of 6-9 units. She stated that Inclusionary Housing should be covered by the Plan Santa Barbara process, since it will be dealing with affordable-by-design.

Mickey Flacks supported the Inclusionary Housing Ordinance Amendment and felt that the fee provides a fund for housing. In-lieu fees assist with housing for middle income and low income housing; without it, market rate developers will only build upscale housing.

With no one else wishing to speak, the public hearing was closed at 2:55 P.M.

Staff answered additional Planning Commission questions about how the approximate 30 new residential units over the next twenty years were calculated based on past analysis of housing units that could be subsidized using in-lieu fees.

The Commissioners made the following comments:

1. Last August, Commissioner Lodge had checked with Dr. Bill Watkins, Director of the UCSB Economic Forecast Project and inquired if multiplier factors had been studied for impact by development of new luxury condominiums. They had not, but confirmed that there is a multiplier effect resulting from new housing that contributes to the job market. Was initially supportive of the inclusionary housing amendment because it does provide the possible opportunity to provide new affordable units and can possibly be used to buy-down existing housing to affordable prices. But agrees with comments that the Inclusionary Housing Ordinance is not achieving a jobs-housing balance, and has not discouraged the building of large luxury units.
2. Commissioner White agreed with the concept of inclusionary fees but was concerned that the in-lieu fees be surgical and nimble and accomplish their goals and do as little harm as possible on the housing market. Suggest reconsidering an inclusionary housing fee for mitigating the housing impact

of commercial developments that existed 15 years ago and would like to see a commercial in-lieu fee added as part of the amendment. He stated he is worried about small units, such as in the R-3 zone that would be discouraged from development and would like to see an accommodation made that encourages small unit development and exempts small units from inclusionary fees. Noted that there are fewer permits being sought for condominium projects. Would like to see exemption of fees in a blighted area, such as lower Voluntario Street near the freeway. Noted that there are few condominium permits being filed and suggested that there should be exceptions in times of economic stress and for areas that are depressed. Supports a condominium conversion in-lieu fee.

3. Commissioners White, Bartlett and Thompson would like to see more affordable housing but do not see this amendment as the mechanism for developing it.
4. Commissioners Bartlett, Thompson, and Larson suggested waiting to incorporate changes to inclusionary housing policy into the Plan Santa Barbara process. Look to ways to encourage this type of affordable housing. Cannot see this amendment as being helpful in this economy and it does not need to be rushed ahead of the general plan update process.
5. Commissioner Thompson felt that this topic needs more discussion than adding an exaction to small building projects in town. There are unintended consequences for attempts to get more affordable housing carved into market rate housing, and they have been that we're just inducing bigger market-rate projects.
6. Commissioners Thompson and Larson suggested looking for a policy that rewards developers for building what is needed, not taxing them.
7. Commissioners Bartlett and Thompson agreed that increasing in-lieu fees would impact developer's costs resulting in the potential to halt development. We need a carrot, not a stick. Disagrees with using in-lieu funds to pay for administrative costs of enforcing middle-income affordability restrictions, and feels that City general funds should be used instead. Not comfortable with calculation formulas for in-lieu fees because it appears that we are trying to back-in to an acceptable number.
8. Commissioner Bartlett and Larson would like to see an incentive for building rental stock; nothing has been built in years. Other communities are doing this, unfortunately not Santa Barbara.

Mr. Faulstich added that the Inclusionary Housing Ordinance, section 28.43.070(D), already includes a graduated reduction of in-lieu fees for smaller units. Units between 1400-1700 square feet receive a reduced in-lieu fee, and there is a 30% reduction in in-lieu fee for units below 800 square feet.

In response to the changing structure of fees that Staff has been reviewing, Scott Vincent, Assistant City Attorney, stated that the nexus study for the inclusionary housing ordinance justified and supported the full fee of \$354,000 for each required inclusionary unit. The calculation of the 5% fee in this proposal is supported by the nexus study; the difference is what is palatable in this market. Hence, there is legal support for an inclusionary fee even on smaller projects.

Mr. Vincent reviewed the typical approach for reviewing an ordinance amendment and how a recommendation is consistent with the government code.

**MOTION: Thompson/Bartlett**

**Assigned Resolution No. 010-09**

Recommended that the City Council not take any action on the Amendment until further analysis of the proposed changes is undertaken and completed through the General Plan Update process, including a study of incentives for new rental housing.

This motion carried by the following vote:

Ayes: 4 Noes: 0 Abstain: 1 (White) Absent: 2 (Jacobs, Jostes)

Commissioner White could support the motion if it did not include Plan Santa Barbara, but left the analysis to be done by City Council.

Chair Larson called for a recess at 3:29 P.M. and reconvened the meeting at 3:39 P.M.

**ACTUAL TIME: 3:39 P.M.**

**EX PARTE COMMUNICATION:**

Commissioner White disclosed an ex parte communication with the Applicant regarding the project.

B. **APPLICATION OF GELARE MACON, AGENT FOR THE TOWBES GROUP, 400 BLOCK OF SOUTH FAIRVIEW AVENUE, 073-045-003, A-F, SP-6, S-D-3, AIRPORT FACILITIES, AIRPORT INDUSTRIAL AREA SPECIFIC PLAN AND COASTAL OVERLAY ZONES, GENERAL PLAN DESIGNATION: MAJOR PUBLIC AND INSTITUTIONAL (MST 2008-000032, CDP2008-00020)**

The project consists of the installation of two storm drain outfalls and rock rip-rap on the eastern bank of San Pedro Creek in the City of Santa Barbara on Santa Barbara Airport Property along Fairview Avenue. This proposed project would satisfy conditions of approval for the Towbes office development project on the east side of Fairview Avenue in the City of Goleta. The discretionary application required for this project is a Coastal Development Permit to install a 250 square foot