



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 24, 2010

TO: Mayor and Councilmembers

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: Revisions To Affordable Housing In-Lieu Fee

RECOMMENDATION:

That Council approve the revised median sale price used in the calculation of the In-Lieu Fee per the Inclusionary Housing Ordinance.

DISCUSSION:

The City's Inclusionary Housing Ordinance (IHO), (SBMC Chapter 28.43) requires that new ownership housing projects and condominium conversions of 10 or more units either provide 15 percent of the units as affordable housing units or pay an in-lieu fee to the City to be used to support affordable housing projects. For new ownership housing projects and condominium conversions of two through nine units, the IHO allows the payment of a pro-rated (five percent) in-lieu fee for each market rate unit. The IHO specifies the method to be used in calculating the in-lieu fee. One of the factors in the calculation is the median sale price of 2-bedroom condominium units in the City during the 4 most recent calendar quarters prior to the calculation. The IHO specifies that this figure *is to be established by Council* based on data provided by the Santa Barbara Association of Realtors.

City Housing Programs staff updates the City's Affordable Housing Policies and Procedures annually upon the publication of new Area Median Income (AMI) figures by the U.S. Department of Housing and Urban Development (HUD). This year HUD released the AMI figures on May 14 (it increased from \$70,400 to \$71,400). The new AMI results in new maximum affordable rents and sale prices and affects the calculation of the In-Lieu fee under the IHO.

Staff has access to residential sale price data through membership in the Santa Barbara Multiple Listing Service. A search of all 2-bedroom condominium units sold in the City between April 1, 2009 and March 31, 2010 resulted in 94 properties with sale prices from \$290,000 to \$2.2 million. The median price was \$469,000 (rounded by staff to \$470,000 for ease of calculation).

The IHO specifies the following method for re-calculating the In-Lieu fee:

The “estimated production cost for a 2-bedroom condominium unit” is calculated by taking 85 percent of the median sale price of a 2-bedroom condominium. The 15 percent reduction is to remove the estimated amount of developer profit from the median sale price to get a more accurate estimate of the production cost. The In-Lieu fee is the difference between the affordable sale price of a 2-bedroom unit for low-income households and this estimated production cost.

This year the In-Lieu Fee calculation is:

Median sale price:	\$470,000
Less 15%	<u>(\$70,500)</u>
Estimated Production Cost	\$399,500
Affordable low-income sale price:	<u>(\$89,500)</u>
In-Lieu Fee:	\$310,000

This is a reduction from last year’s In-Lieu fee of \$360,000. The decrease is mostly due to the drop in the median sale price from \$525,000 to \$470,000.

The pro-rated In-Lieu Fee for each ownership unit in projects of two through nine units will be five percent of the full In-Lieu Fee, or \$15,500. This is down from \$18,000 last year.

CONCLUSION:

By approving the calculation of the In-Lieu fee under the City’s Inclusionary Housing Ordinance, Council will establish the median sale price for 2-bedroom units in the City as required by the IHO. The reduced median sale price of \$470,000 will result in the reduction of the In-Lieu fee from \$360,000 to \$310,000.

The updated Affordable Housing Policies and Procedures handbook, reflecting the most recent Area Median Income, is available for viewing online on the City’s website: <http://www.santabarbaraca.gov/>. Click on “Affordable Housing” on the list on the left, and then on “Policies and Reports.” The chapter on the Inclusionary Housing Ordinance is marked as “draft” pending Council action on this item today.

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