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Inclusionary Housing and In-Lieu Fee Study

Prepared for the City of Santa Barbara

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EXECUTIVE SUMMARY

This Inclusionary Housing and In-Lieu Fee Study ("Study") analyzes the City of Santa Barbara's existing inclusionary housing requirements for ownership and rental housing developments ("Existing Program") to assist the City in considering changes to the program. The Existing Program is broadly summarized as follows:

- Ownership projects with 10 or more units require 15 percent of units to be sold at prices affordable to Middle-Income households[1]. The ownership inclusionary units are allowed above a site's maximum density (as bonus density).
- Ownership projects of two through nine units may designate one unit as affordable to Middle-Income households[1] or pay a prorated in-lieu fee based on the number and size of the proposed units.
- Ownership projects of one unit are not subject to any inclusionary housing requirements.
- Rental projects pursuant to the Average Unit-Size Density Incentive Program ("AUD Program") with 10 or more units require 10 percent of the units onsite as affordable to Moderate-Income households.
- Rental projects pursuant to the AUD Program with five to nine units may designate one unit as affordable to Moderate-Income households or pay an in-lieu fee of $25.00 per net residential square foot.
- Rental projects pursuant to the AUD Program with four or fewer units are not subject to any inclusionary housing requirements.
- Rental projects not using the AUD Program are not subject to any inclusionary requirements.

Study Objectives

The objectives of this Study are:

- Implement goals, policies, and programs from the 2023—2031 Housing Element that encourage affordable and market rate housing units in support of the City's Regional Housing Needs Allocation ("RHNA").

- Identify opportunities to align the separate ownership and rental inclusionary housing requirements into one Inclusionary Housing Program.

[1] For Residential Lot Subdivisions for the construction of single unit homes, units may be sold to Upper-Middle-Income households.

- Evaluate the Existing Program's inclusionary requirements and in-lieu fee rates under current market conditions and development standards.

- Analyze the extent to which current in-lieu fee rates reflect the cost to build inclusionary units as required under the Existing Program.

- Identify in-lieu fee rates that support the City's Local Housing Trust Fund for affordable housing development while not negatively impacting the financial feasibility of new market-rate residential development.

- Address administration difficulties with the Existing Program to align fee calculations, fee adjustments, and other local methodologies with industry best practices.

- Communicate potential alternatives to the Existing Program with respect to financial feasibility, such as use of State Density Bonus Law ("SDBL") and the availability of waivers and concessions.

Key Study Findings

Through the analysis in this Study, several key findings were identified that informed the recommendations. Key findings relate to in-lieu fee rates, calculation methodologies, and the financial feasibility of residential development projects.

In-Lieu Fees and Inflation

The in-lieu fee rate for AUD Program rental projects has not been updated since adoption of the rental inclusionary housing requirement in July 2019. This indicates the collected in-lieu fee payments have not kept pace with the cost to construct inclusionary units that are funded by these collected fees. Had the fee rate been indexed for inflation, the current in-lieu fee would be approximately $31.72/sf.[2]

Multiple and Complex In-Lieu Fee Calculations Methods

The City uses a variety of calculation methods to determine in-lieu fee payment amounts depending on a project's tenure. In particular, the method for ownership projects is complex and could be more effectively administrated if aligned with fee calculations for rental projects, as is done in other cities. In-most jurisdictions surveyed, in-lieu fees for both ownership and rental projects are charged on a per residential square foot basis, applied to the entirety of the project.

[2] Estimate based on the Consumer Price Index for All Urban Consumers (CPI-U) for the "Pacific" region between July 2019 and September 2025.

Financial Feasibility Challenges under Existing Program

This Study evaluated the financial feasibility of local development projects via the preparation of static pro-forma models. Overall, this Study found that all residential development prototypes are infeasible under the Existing Program. Smaller projects of less than 10 units tend to be less feasible on a per square foot basis than larger projects with 10 or more units.

Financial Feasibility Improves under State Density Bonus Law (SDBL)

As financial feasibility is challenging for development in the current economic climate, the City has seen an uptick in the number of projects utilizing State Density Bonus Law ("SDBL"), as it improves financial feasibility in the studied development prototypes. Applicants utilizing SDBL are also entitled to concessions and incentives as defined under State law, which allow applicants to deviate from design standards and/or development regulations.

"Fee-Out" Options are Not Customary

Nearly all benchmarked jurisdictions impose restrictions on a developer's ability to satisfy all inclusionary housing requirements through payment of an in-lieu fee alone. These restrictions may include requiring City Council approval to pay an in-lieu fee for the entirety of the inclusionary housing requirement, allowing in-lieu fee payments only for the purpose of meeting a fractional unit requirement, or only allowing in-lieu fee payments for smaller projects.

Study Recommendations

The key findings noted above inform targeted recommendations to update the Existing Program across three major categories: program-related, policy-related, and administration-related, as described in Table 1 below.

Table 1: Recommendations for Updates to Existing Program

Program-Related	Policy-Related	Administration-Related
Updates to Existing Program requirements such as in-lieu fee rates, eligible geographies, and differentiation between large and small projects.	*Updates designed to encourage housing development and fee payment options under the Existing Program.*	*Updates designed to simplify and streamline functions associated with administering the Existing Program.*
A. Apply Inclusionary Housing Requirements to All Rental Projects with 5+ units	F. Count Rental Inclusionary Units as Bonus Density	H. Simplify In-Lieu Fee Calculations for Ownership Projects

B. Maintain Current Inclusionary Housing Requirements	G. Consider Options for In-Lieu Fee Payments to Fulfill Inclusionary Requirements	I. Implement Automatic Annual In-Lieu Fee Rate Adjustments
C. Update the In-Lieu Fee Rate for Rental Projects with 10+ units	G.1. Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements	J. Adjust Target AMI for Moderate-Income Rents from 100% to 110%
D. Set an In-Lieu Fee Rate for Ownership Projects with 10+ units	G.2. Consider In-Lieu Fee Payment for All Inclusionary Requirements	
E. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects		

A. Apply Inclusionary Housing Requirements to All Rental Projects with 5+ units

This Study recommends expanding the inclusionary housing requirements to all rental projects of five or more units developed in the City, not solely those using the AUD Program. This would mean that non-AUD rental projects inland and all rental projects in the coastal zone would be subject to the inclusionary housing requirements.

B. Maintain Current Inclusionary Housing Requirements

- Rental Projects
  This Study recommends maintaining the Existing Program's inclusionary housing percentage and income category for rental projects (i.e., no change to the current requirement that 10 percent of units in rental projects be set aside for Moderate-Income households).

- Ownership Projects
  This Study recommends maintaining the Existing Program's inclusionary housing percentage and income categories for ownership projects (i.e., no change to the current requirements that 15 percent of units in ownership projects be set aside for Middle-Income or Upper Middle-Income, as appropriate, households).

C. Update the In-Lieu Fee Rate for Rental Projects with 10+ Units

This Study recommends setting the in-lieu fee rate for rental projects at $50.00 per net square foot of residential space for fractional unit requirements in rental projects with 10 or more units.

This recommendation would help the City account for construction cost increases since adoption of the $25.00 per net sf fee in 2019, and more accurately reflect the cost of constructing an inclusionary unit with collected funds.

D. Set an In-Lieu Fee Rate for Ownership Projects with 10+ Units

This Study recommends setting the in-lieu fee rate for ownership projects to $50.00 per net square foot of residential space for fractional unit requirements in ownership projects of 10 or more units.

Setting the ownership in-lieu fee rate based on the net square footage of the proposed project would align the ownership requirements with the existing rental inclusionary housing requirements and methodologies. This also supports simplifying administration of the Existing Program.

E. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects

This Study recommends setting a lower in-lieu fee rate of $35.00 per net square foot for "small" ownership and rental projects with fewer than ten units. Small projects face financial feasibility challenges when compared to larger projects with 10 or more units, as described in the Financial Feasibility Analysis chapter, due to factors such as reduced economies of scale. As such, this Study does not recommend the $50.00 per net square foot fee rate that is being proposed for larger projects.

F. Count Rental Inclusionary Units as Bonus Density

This Study recommends that the City exclude inclusionary units from maximum density calculations for rental projects. This recommendation would align the ownership and rental inclusionary housing requirements to count all inclusionary units as bonus density (i.e., ownership units in the Existing Program are already entitled a bonus density for on-site units).

G. Consider Options for In-Lieu Fee Payments to Fulfill Inclusionary Requirements

This Study recommends the City consider expanding compliance options for inclusionary housing requirements with in-lieu fee payments. This recommendation proposes two options that are standalone; only one option can be implemented.

> *Option G.1 Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements*
> Consider allowing in-lieu fee payment for all fractional inclusionary requirements, regardless of the total number of units proposed in the project or the tenure of the units (i.e., on projects with 10 or more units, do not require an additional unit for fractions of 0.5 or more). This recommendation would apply the in-lieu fee rates proposed in Recommendations C (rental projects) and D (ownership projects).

Option G.2 Consider In-Lieu Fee Payment for All Inclusionary Requirements
Consider allowing all inclusionary housing requirements to be fulfilled with an in-lieu fee payment, without requiring any onsite inclusionary units. This recommendation would apply an in-lieu fee rate up to $72.00 per square foot.

H. Simplify In-Lieu Fee Calculations for Ownership Projects

This Study recommends simplifying the methodology for calculating in-lieu fee amounts for ownership projects by aligning it with the methodology in place for rental projects. This recommendation would apply in-lieu fee requirements for ownership projects on a net residential square foot basis, rather than a per-unit basis.

I. Implement Automatic Annual In-Lieu Fee Rate Adjustments

This Study recommends that the City implement a system for automatically adjusting the recommended in-lieu fee rates annually to help account for inflationary increases in the cost of construction.

J. Adjust Target AMI for Moderate-Income Rents from 100% to 110%

This Study recommends adjusting the Target Income for maximum rent calculations for Moderate-Income inclusionary units. This recommendation would align the City with methodology used by the State by applying a target of 110 percent of AMI for Moderate-Income rent calculations.

INTRODUCTION

The City of Santa Barbara is situated in one of the highest-cost regions in the country, where market-rate housing is often unattainable for lower-, moderate-, and middle-income households. The City has sought to address these challenges through a variety of policies, programs, and actions over the years, including inclusionary housing requirements for some units in new market-rate housing developments to be made affordable.

This Inclusionary Housing and In-Lieu Fee Study ("Study") analyzes the existing inclusionary housing requirements for ownership and rental housing developments ("Existing Program") to assist the City of Santa Barbara in considering changes to the program. The Existing Program is broadly summarized as follows:

- Ownership projects with 10 or more units require 15 percent of units to be sold at prices affordable to Middle-Income[3] households. The ownership inclusionary units are allowed above a site's maximum density (as bonus density).
- Ownership projects of two through nine units may designate one unit as affordable to Middle-Income households[3] or pay a prorated in-lieu fee based on the number and size of the proposed units.
- Ownership projects of one unit are not subject to any inclusionary housing requirements.
- Rental projects pursuant to the Average Unit-Size Density Incentive Program (AUD Program)[4] with 10 or more units require 10 percent of the units onsite as affordable to Moderate-Income households.
- Rental projects pursuant to the AUD Program with five to nine units may designate one unit as affordable to Moderate-Income households or pay an in-lieu fee rate of $25.00 per net residential square foot.
- Rental projects pursuant to the AUD Program with four or fewer units are not subject to any inclusionary housing requirements.
- Rental projects not utilizing the AUD Program are not subject to inclusionary housing requirements.

This Study helps the City of Santa Barbara implement programs from the 2023—2031 Housing Element. Each of these programs calls for economic feasibility analyses to support associated amendments to the zoning ordinance, as well as meet Housing Element Goal #2: Prioritize Affordable Housing and Goal #8: Fund Affordable Housing.

[3] For Residential Lot Subdivisions for the construction of single unit homes, units may be sold to Upper-Middle-Income households.
[4] When the AUD Program was first adopted in 2013, the City could not require inclusionary units for rental housing due to a 2009 court decision. In response to changes in state law, an inclusionary requirement for AUD rental projects was added in 2019.

- Program HE-12: Prioritize Deed-Restricted Affordable Housing
- Program HE-13: Evaluate Inclusionary Housing Ordinance

Study Objectives

The objectives of this Study are:

- Implement goals, policies, and programs from the 2023—2031 Housing Element that encourage affordable and market rate housing units in support of the City's Regional Housing Needs Allocation ("RHNA").

- Identify opportunities to align the separate ownership and rental inclusionary housing requirements into one Inclusionary Housing Program.

- Evaluate the Existing Program's inclusionary requirements and in-lieu fee rates under current market conditions and development standards.

- Analyze the extent to which current in-lieu fee rates reflect the cost to build inclusionary units as required under the Existing Program.

- Identify in-lieu fee rates that support the City's Local Housing Trust Fund for affordable housing development while not negatively impacting the financial feasibility of new market-rate residential development.

- Address administration difficulties with the Existing Program, to align fee calculations, fee adjustments, and other local methodologies with industry best practices.

- Communicate potential alternatives to the Existing Program with respect to financial feasibility, such as use of State Density Bonus Law ("SDBL") and the availability of waivers and concessions.

Study Organization

The Study is organized as follows:

- The **Introduction** chapter outlines the objectives and framework for the Inclusionary Housing and In-Lieu Fee Study, residential development trends, and the current state of housing affordability in the City of Santa Barbara.

- The **Existing Program** chapter provides an overview of the City's Existing Program and key findings related to recommended changes to the Existing Program.

- The **Development Prototypes** chapter outlines a series of baseline multi-unit residential development prototypes consisting of two ownership prototypes and three rental prototypes, all of varying size and density. Two additional prototypes are versions of the baseline prototypes using State Density Bonus Law (California Government Code Sections §65915 - 65918).

- The **Financial Feasibility Analysis** chapter evaluates the financial feasibility of the prototypes defined in the previous chapter to explore the extent to which inclusionary requirements are commensurate with local market conditions and development standards. This chapter also compares the financial feasibility of prototypes using State Density Bonus Law.

- The **In-Lieu Fee Analyses** chapter analyzes potential changes to the in-lieu fees calculation methods and rates. The Construction Cost analysis calculates potential in-lieu fee rates based on the cost to construct an inclusionary unit under the City's Existing Program requirements. The Fee Equivalent analysis calculates in-lieu fee rates equal to the net impact to the project of providing onsite inclusionary units as required under the Existing Program.

- The **Benchmark Analysis** chapter provides an overview of inclusionary housing requirements in jurisdictions that have comparable market conditions and are in proximity to Santa Barbara.

- The **Recommendations** chapter presents policy options and recommendations based on the analysis in the preceding chapters.

- **Appendix A: Assumptions and Formulas**
  Appendix A provides background data and information that informs assumptions related to maximum affordable rent and sales prices, utility allowances, and fee calculations. This appendix includes formulas in the pro-formas used to analyze financial feasibility.

- **Appendix B: Input from Practitioners**
  Appendix B summarizes community engagement that informed this Study, conducted as a series of one-on-one interviews with professionals in the Santa Barbara development community. The interviews focused on detailed assumptions for the financial feasibility analysis, and solicited general feedback on the impact that changes to the City's Existing Program might have on development feasibility in Santa Barbara.

- **Appendix C: Residential Pro-Formas**

Appendix C provides detailed pro-formas for the residential development prototypes. This appendix explains the key assumptions that informed the residential pro-formas.

- **Appendix D: Residential Nexus Analysis**
  Appendix D provides a nexus analysis for the in-lieu fee that quantifies the estimated relationship between new market-rate residential development in Santa Barbara, the need for workforce housing, and the public cost to construct housing that is affordable to lower-income workers. A nexus analysis is not necessarily required to establish an in-lieu fee under recent state legislation, but it is a basis for evaluating potential in-lieu fee amounts.

- **Appendix E: Overview of IMPLAN**
  Appendix E provides additional clarification on the IMPLAN input-output model that informed the Residential Nexus Analysis.

Residential Development Trends

Despite strong fundamentals including high rents and sales prices, as well as a lack of development impact fees when compared to neighboring communities, residential development in Santa Barbara faces multiple headwinds. Beyond the local context, state and federal factors impact residential development feasibility. High interest rates have raised the cost of debt and equity since 2022, increasing the cost of money, which contributes to higher development costs. Development is inherently risky, and the increased perception of risk from high interest rates has required higher return on investment for projects to proceed.

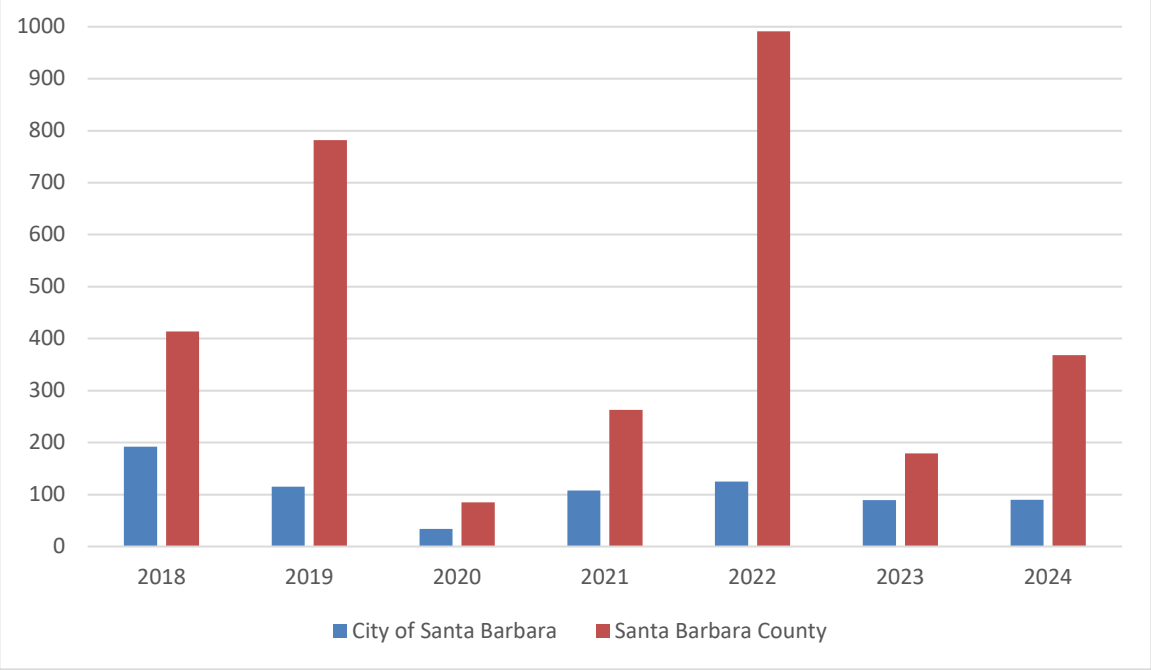
Since 2020, the cost of construction materials has climbed by more than 40 percent, according to Associated Builders and Contractors, a national trade association that releases reports based on data from the Bureau of Labor Statistics.[5] Additionally, tariffs could increase the cost of construction materials. The rebuilding effort associated with the Los Angeles area fires may also contribute to increased development costs due to demand for labor and materials.

Local Trends

Looking at residential trends across Santa Barbara County, the total number of permitted units in multi-unit residential projects increased from 179 in 2023 to 368 in 2024, according to Annual Progress Report (APR) data published by the California Department of Housing and Community Development (HCD). Comparatively, permitted units in multi-unit residential projects in the City of Santa Barbara remained consistent from 2023 to 2024, increasing by just one unit (89 to 90).

[5] https://www.independent.com/2025/04/30/trumps-tariff-war-has-santa-barbara-contractors-on-alert/

Figure 1: Annual Permitted Units in Multiunit Projects, City and Santa Barbara County



Note: Permitted units in structures of two or more units
Source: Annual Progress Report (APR) data published by HCD, 2018-2024

Rental Data

This Study evaluated local market conditions for newly-built (2017-2025) rental residential construction in the City of Santa Barbara using data from CoStar. Key highlights from the rental evaluation include:

- Approximately 387 dwelling units have been constructed across 12 properties between 2017 and 2025.
- The average unit size is approximately 790 square feet across all unit types (studio, one-, two-, and three-bedroom).
- Two-bedroom units have been the most prolific in recent construction, making up 64 percent of all new units. Studio and one-bedroom units are the next most common new unit type (17 percent and 15 percent, respectively). The remaining four percent of new units are three-bedroom units.
- In early 2025 (January-March), studio units had an average monthly rent of $3,559, one-bedroom units had rents of $3,731 per month, two-bedroom units had rents of $4,360 per month, and three-bedroom units had rents of $4,744.

The average asking rents per square foot for newly-constructed rental units informed the feasibility analysis and recommendations in this Study.

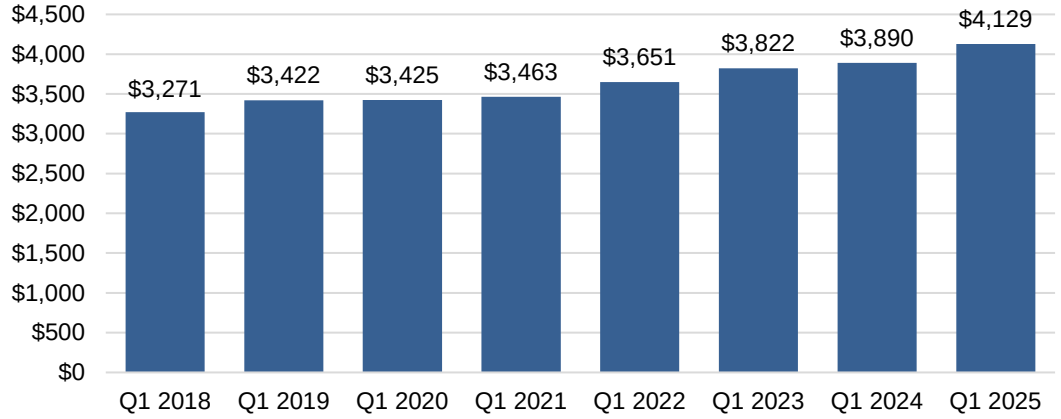
Table 2: Multifamily Market Overview, Built 2017+, City of Santa Barbara

City of Santa Barbara	Studio	1 BR	2 BR	3 BR	All Unit Types
Inventory, Q1 2025 (units)	66	58	248	15	387
% of Units	17.1%	15.0%	64.1%	3.9%	100.0%
Occupied Units	64	55	220	14	353
Vacant Units	2	3	28	1	34
Vacancy Rate	3.0%	5.2%	11.3%	6.7%	8.8%
Avg. Unit Size (sf)	557	661	852	1,020	790
Avg. Asking Rents, Q2 2024 - Q1 2025					
Avg. Asking Rent per unit, Q1 2025	$3,559	$3,731	$4,360	$4,744	$4,129
Avg. Asking Rent per unit, Q2 2024	$3,619	$3,631	$4,085	$4,544	$3,943
% Change Q2 2024 - Q1 2025	-1.7%	2.8%	6.7%	4.4%	4.7%
Avg. Asking Rent psf, Q1 2025	$6.74	$5.67	$5.15	$4.65	$5.39
Avg. Asking Rent psf, Q2 2024	$6.86	$5.52	$4.82	$4.45	$5.15

Source: CoStar, 2025; BAE, 2025

As shown in Figure 2 below, average asking rents have steadily increased over the past few years, rising from $3,271 per month for all bedroom types in early 2018 to $4,129 per month in early 2025, an increase of 26 percent.

Figure 2: Multifamily Asking Rent per Unit, Q1 2018 to Q1 2025, City of Santa Barbara



Note: Includes all bedroom counts.
Source: CoStar, 2025; BAE, 2025

South Coast Rent Survey

The City of Santa Barbara annually publishes a South Coast Rent Survey in April to provide an overview of the local rental housing market.

Similar to the CoStar data used in this Study, the Rent Survey analyzes median rents by housing type and number of bedrooms. The two methodologies diverge by distinguishing data by building age; CoStar further segregates unit rents by building age to isolate rents in newly-constructed buildings while the Rent Survey does not distinguish asking rents by structure age.

Because the rents from the South Coast Rent Survey combine all units regardless of age into rent averages, the rents are lower than those available from CoStar for newly-built residential units. For example, the 2025 Rent Survey has an average monthly rent of $3,836 for a two-bedroom apartment while CoStar data for newly-built two-bedroom apartments has a monthly rent of $4,360—a monthly difference of more than $500 for a newly-constructed, two-bedroom unit.

As this Study focuses on the financial feasibility of new residential development, CoStar data is used for all analysis to more accurately reflect asking rents for the newly-built units.

Ownership Data

This Study uses sales data from Redfin to evaluate recent market conditions (December 2023-December 2024) for ownership projects in the City of Santa Barbara. Key highlights from the ownership data include:

- Over 100 condominiums sold (108 transactions) within the City of Santa Barbara during the 12-month period from December 2023 through December 2024.
- The median sales price of a two-bedroom condominium was $1,129,750, excluding deed-restricted units. The median unit size of these two-bedroom units was approximately 1,358 square feet.
- The median sales price of a three-bedroom condominium was $1,390,000. Studio and one-bedroom condominiums sold for a median price of $860,000.

The median sale price of a two-bedroom condominium unit informs the in-lieu fee calculation for ownership projects.

For ownership pro-formas, BAE isolated a subset of two-bedroom condominium sales in condominium buildings constructed after 2007 to inform the in-lieu fee calculation. The sample size of newer condominium buildings is relatively small due to lack of construction. The

median sales price of a two-bedroom condominium unit in a newer (2007+) building was $1,862,000. This is a price of approximately $1,117 per square foot.

Housing Affordability

In the City of Santa Barbara, market-rate housing is often unaffordable for Lower-, Moderate-, and Middle-income households. Housing costs are considered affordable if a household's housing costs do not exceed 30 percent of their household income, as established by the US Department of Housing and Urban Development (HUD).

HUD and the California Department of Housing and Community Development (HCD) categorize households based on percentages of the Area Median Income (AMI). Both the state and the City utilize a target AMI percentage when calculating affordable sale prices and monthly rents for each income category. In all instances, the City's target AMI percentage is lower than the upper percentage amount for each income category.

Table 3 below compares housing costs for Moderate- and Middle-Income households, the two AMI categories served by the Existing Program's inclusionary requirements. The table shows the housing costs for new market-rate units in the City of Santa Barbara compared to affordable housing costs, as calculated using data from HUD and the City of Santa Barbara. The affordability of new market-rate units for households of all income groups is challenging, since housing costs for all market-rate units exceed the maximum affordable housing costs in all instances. For example, a moderate-income household of three can afford maximum housing costs of $2,549 per month (affordable rent and utility costs). However, the average market-rate housing costs for new two-bedroom unit is $4,535 per month (market-rate rent and utility costs utilities), creating an affordability gap of $1,986 per month.

Table 3: Affordability of New Market-Rate Residential Units by Target AMI

		1 Person (Studio)	2 Person (1 bed)	3 Person (2 bed)	4 person (3 bed)
Market Rate Rent	(a)	$3,559	$3,731	$4,360	$4,744
Utility Costs	(b)	$97	$134	$175	$241
Total Market Rate Housing Cost	(c)	$3,656	$3,865	$4,535	$4,985
Moderate-Income (80-120% AMI)					
Household Income (120% of Median)	(d)	$95,172	$108,768	$122,364	$135,960
Max. Affordable Monthly Housing Cost (100% Target)	(e)	$1,700	$2,124	$2,549	$2,833
Amount Above (Below) Market Rate Housing Cost		($1,956)	($1,741)	($1,986)	($2,152)
Middle-Income (120-160% AMI)					
Household Income (160% of Median)	(d)	$126,896	$145,024	$163,152	$181,280
Max. Affordable Monthly Housing Cost (120% Target)	(e)	$2,039	$2,549	$3,059	$3,399
Amount Above (Below) Market Rate Housing Cost		($1,617)	($1,316)	($1,476)	($1,586)

Notes:
(a) Displays average asking rents by unit size in newly-constructed buildings (2017-2025) within the City of Santa Barbara.
(b) Utility allowance effective Jan. 2025 published by the Housing Authority of the City of Santa Barbara.
Utility allowances include: "Basic" Electric, Gas, Water, Sewer, and Trash.
(c) Housing Cost equals the Monthly Rents plus the Utility Costs.

(d) City of Santa Barbara Income Limits published April 2025, based on HUD AMI of $113,300.
(e) Rent Limits effective April 1, 2025, published by the City of Santa Barbara.
Source: City of Santa Barbara, 2025.

EXISTING PROGRAM

The City's inclusionary housing requirements ("Existing Program") apply to ownership residential development projects as well as rental residential development projects utilizing the Average Unit Size Density Incentive Program (AUD Program). Ownership inclusionary requirements focus on Middle-Income and Upper-Middle-Income households, while rental inclusionary requirements focus on Moderate-Income households.

Inclusionary Housing Requirements for Ownership Projects

The ownership inclusionary housing requirements apply to all ownership projects (SBMC Chapter 30.160 and Chapter 28.43). At the time of ordinance adoption in 2004, the lack of housing options for Middle- and Upper-Middle-Income households was considered a major issue affecting the City, as these households struggled to own homes in the local market and are not served by local, state, or federal affordable housing programs.

The ownership inclusionary requirement applies to newly built units and to ownership units created though conversion to condominiums. Ownership projects with 10 or more units must provide 15 percent of units at sale prices affordable to Middle-Income households. Ownership projects with two through nine units are required to provide one unit as an owner-occupied Middle-Income unit or pay a prorated in-lieu fee based on the number and size of the proposed units. Ownership projects with one unit have no inclusionary housing requirement. The ownership inclusionary units can be provided as bonus units that are allowed above the density allowed (bonus density).

The target affordability for ownership inclusionary units is Middle-Income households with a target income of 120 percent AMI. Projects subdividing land to create detached ownership units have similar inclusionary housing requirements focused on Upper-Middle Income households with a target affordability of 160 percent AMI.

Residential lot subdivisions to create 10 or more parcels, where individual houses are not proposed to be constructed, are required to pay an in-lieu fee amount equal to 15 percent of the number of units that could be permitted on the lots. Residential lot subdivisions creating two to nine parcels, where individual houses are not proposed to be constructed, can either provide an owner-occupied Middle-Income unit or pay an in-lieu fee amount prorated for the number of units that could be permitted on the lots. Alternatively, residential lot subdivision projects have the option to utilize alternative compliance means such as offsite units, land dedication, or any combination proposed by an applicant and approved by the Planning Commission.

Inclusionary Housing Requirements for Rental Projects

The rental inclusionary housing requirements apply only to rental projects using the AUD Program (SBMC Section 30.150.110). Adopted much later than the ownership inclusionary housing requirements, rental inclusionary was added to the AUD Program in 2019 to require inclusionary units for Moderate-Income households (targeting 100 percent AMI). Rental inclusionary requirements address a need for Moderate-Income units that was not being met by market-rate development or nonprofit housing entities because of limited funding opportunities at the local, state, and federal level for Moderate-Income households.

Inclusionary housing requirements for AUD Program rental projects with 10 or more units is 10 percent of units onsite at rents affordable to Moderate-Income households. AUD Program rental projects with five to nine units may build an onsite unit affordable to Moderate-Income households or pay a prorated in-lieu fee of $25.00 per net residential square foot. AUD Program rental projects consisting of four or fewer units are not subject to the inclusionary housing requirement. Rental inclusionary units are required within the allowed site density and are not bonus density units.

There are no inclusionary housing requirements for rental projects in the coastal zone or rental projects that use base density (i.e. that are not proposed under the AUD Program).

In-Lieu Fee Calculations

In-lieu fee calculation methods differ depending on project tenure. Having two calculation methods presents complication in administration for staff and uncertainty for project applicants.

In-lieu fee calculations for rentals are more straightforward than ownership calculations. Rental in-lieu fee amounts are calculated based on a project's total units and residential square footage. Rental projects use a standardized in-lieu fee rate of $25.00 per net square foot. See Appendix A for the calculation formula and an example in-lieu fee amount calculation.

In-lieu fee calculations for ownership projects are more complex and must be completely re-calculated by staff for every ownership project. The in-lieu fee amount is informed by sale prices of two-bedroom condominium units in the four most recent calendar quarters, which requires new sales data for each calculation. Additionally, the in-lieu fee calculation accounts for average unit size (square feet) of the proposed project units, difference in sale price of an income-restricted unit to a market-rate unit, developer profit, and the total number of units proposed in the project. See Appendix A for the calculation formula and an example in-lieu fee amount calculation.

All inclusionary housing requirements are calculated based on a project's size. This "sliding scale" approach aligns the amount of onsite inclusionary units and/or the in-lieu fee amount to the size of a project. Smaller projects with fewer units have a lower inclusionary housing requirement than larger projects because the inclusionary requirement is a percentage of total units. By default, 10 (rental) or 15 (ownership) percent of fewer total units will always result in a lower inclusionary housing requirement than projects with a higher quantity of units. For example, a rental project of 11 units has an inclusionary requirement of 1.1 equating to one onsite unit and a fractional in-lieu fee amount for the remaining 0.1. On the opposite end of the spectrum, a rental project of 94 units has an inclusionary requirement of 9.4 equating to nine onsite units and a fractional in-lieu fee amount for the remaining 0.4. Additionally, the in-lieu fee amount is further assessed on a "sliding scale" because the building size (net square feet) affects the calculated in-lieu fee amount.

In benchmarked jurisdictions, in-lieu fee amounts for inclusionary housing requirements are typically charged on a per residential square foot basis, such as rental in-lieu fee amounts in the City. See the Benchmark Analysis chapter for more information about comparative jurisdictions and their inclusionary housing requirements.

In-Lieu Fees and Inflation

Since adopted in 2019, in-lieu fee amounts for rental units have used the same rate of $25 per square foot, which has not kept pace with inflation. While the ordinance allows for annual adjustments, it is not automatic and is tied to a source that requires a paid subscription to the Engineering News Record Building Cost Index for the City of Los Angeles.

In July 2019, the Consumer Price Index for All Urban Consumers (CPI-U) for the "Pacific" region was 105.397. In September 2025, the most recent month for which data was available, the CPI-U had risen to 133.724, for an increase of 26.9 percent.[6]

Had the in-lieu fee been implemented with an automatic adjustment to account for inflation based on the CPI-U for the "Pacific" region, the equivalent fee as of September 2025 would be approximately $31.72 per square foot of residential space. See the full calculation in Appendix A.

[6] https://data.bls.gov/timeseries/CUUR0490SA0

DEVELOPMENT PROTOTYPES

This Study is based on a series of residential development prototypes, which are representative of existing multi-unit development in the City of Santa Barbara. Development prototypes were informed by staff and refined through a series of one-on-one interviews with local development practitioners.

Site Selection

To align with development trends in the City, the development prototypes were driven by typical parcel sizes and associated zoning development standards in Medium-High Density, High Density, and Priority Housing Overlay areas.

Medium-High Density site

A parcel size of 9,000 sf (0.21 acres) is assumed in the Residential Multi-Unit (R-M) zone. The Medium-High Density tier allows for ownership and rental projects with maximum densities that range from 15 to 27 dwelling units an acre (du/acre) and maximum average unit sizes that range from 1,450 to 905 sf per unit, respectively.

High Density site

A parcel size of 15,000 sf (0.34 acres) is assumed in the Commercial General (C-G) zone. The High Density tier allows for ownership and rental projects with maximum densities that range from 28 to 36 du/acre and maximum average unit sizes that range from 1,245 sf to 970 sf per unit, respectively.

Priority Housing Overlay sites

Parcel sizes of 15,000 sf or 30,000 sf (0.34 acres and 0.69 acres, respectively) are assumed in the Commercial General (C-G) zones. The Priority Housing Overlay is available only for rental housing, employer-sponsored housing, or limited-equity housing cooperative projects and allows the highest densities in the city with maximum densities that range from 37 to 63 du/acre and maximum average unit sizes ranging from 970 to 811 sf per unit, respectively.

Baseline Prototypes

"Baseline" residential development prototypes comply with the City's zoning standards. For the purposes of this Study, most baseline prototypes are assumed at densities just below the maximum allowed to align with methodology used in the Suitable Sites Inventory in the 2023—2031 Housing Element. Baseline prototypes generally achieve the maximum average unit size to which they are entitled.

Lot coverage, circulation efficiencies, and other inputs were estimated based on a review of Title Sheets associated with similar projects in the City.

- A prototype's "Net Residential Area" is generally consistent with "Net Residential" or "Net Leasable" square footage and forms the basis for applying in-lieu fee rates to baseline prototypes. Net residential floor area is limited by the maximum average unit size associated with the prototype's density under the AUD Program.
- "Gross Residential Area" is estimated from summing all building area associated with the "R" code classification for residential area, along with "Non-Livable" floor area associated with Storage, Mechanical, Utility, and other categories, lending an implied circulation factor for each prototype.
- Ground-floor podiums for vehicle parking and ancillary commercial space are included in some prototypes.
- No Baseline Prototype features a building height that exceeds 48 feet.
- Prototypes whose proposed roof and impervious flatwork is estimated to exceed 15,000 square feet are also presumed to comply with Tier 4 storm water management program (SWMP) requirements.

Prototype I: Ownership Townhome Prototype

Prototype I is a small ownership development on a 9,000 sf site in the Medium-High Density area with four residential units averaging 1,131 sf. All units have two bedrooms and are configured in a two-story townhome-style arrangement above private garages directly underneath each unit (three stories with a total building height of 32 feet).

The inclusionary housing requirement is satisfied with an in-lieu fee payment. With four residential units, Prototype I pays a prorated in-lieu fee amount of $96,971.

Prototype II: Ownership Prototype

Prototype II is an ownership development on a 15,000 sf site in the High Density area with 15 residential units averaging 970 sf, two of which are Middle-Income inclusionary units allowed above maximum density. The two-bedroom units are arranged across three stories atop a podium parking garage (four stories with a total building height of 45 feet).

The inclusionary housing requirement is satisfied with onsite units. Prototype II includes 15 percent of project units at prices affordable to Middle-Income households, resulting in two inclusionary units and 13 market-rate units.

Prototype III: Rental Townhome Prototype

Prototype III is a small AUD Program rental development on a 9,000 sf site in the Medium-High Density area with five residential units averaging 905 sf. There are four two-bedroom units and one three-bedroom unit configured in a townhome-style arrangement above private garages directly underneath each unit (three stories with a total building height of 32 feet).

The inclusionary housing requirement is satisfied with an in-lieu fee payment. With five residential units, Prototype III pays a prorated (0.5) in-lieu fee payment of $113,125.

Prototype IV: Rental Mixed-Use Prototype

Prototype IV is a rental development on a 15,000 sf site in the Priority Housing Overlay area with 20 residential units averaging 811 sf, two of which are Moderate-Income inclusionary units. The five one-bedroom units and 15 two-bedroom units are arranged across three stories atop a podium parking garage (four stories with a total building height of 48 feet). This prototype is mixed-use and includes 1,096 sf of commercial space on the ground floor.

The inclusionary housing requirement is satisfied with onsite units. Prototype IV includes 10 percent of project units at rental prices affordable to Moderate-Income households, resulting in two inclusionary units and 18 market-rate units.

Prototype V: Rental Mixed-Use Large Prototype

Prototype V is a rental development on a 30,000 sf site in the Priority Housing Overlay area with 43 units averaging 811 sf, four of which are Moderate-Income inclusionary units. The 11 one-bedroom units and 32 two-bedroom units are arranged across three stories atop a podium parking garage (four stories with a total building height of 48 feet). This prototype is mixed-use and includes 1,869 sf of commercial space on the ground floor.

The inclusionary housing requirement is satisfied with onsite units and a fractional in-lieu fee payment. Prototype V includes 10 percent of project units at rental prices affordable to Moderate-Income households, resulting in four inclusionary units and 39 market-rate units. The prorated (0.3 units) in-lieu fee payment is $60,825.

Density Bonus Prototypes

This Study also evaluated density bonus prototypes to compare financial feasibility for projects utilizing State Density Bonus Law. The density bonus prototypes are variations on the baseline prototypes which include additional density. Similar to the baseline prototypes, density bonus prototypes were informed by review of Title Sheets associated with similar projects submitted to the City in regard to average unit size, height, and parking treatments.

Density bonus prototypes utilize additional density o*nly* and not additional building area, unless parking podiums on the ground floor are removed entirely and replaced with residential units. Evidence of this approach is borne out by projects that have eliminated parking entirely on the ground floor to accommodate bonus units, for example, rather than reduce average unit size. This also represents a conservative approach to estimating financial feasibility, as other requested concessions could have the impact of increasing buildable area if approved.

Prototype SDBL-I: Rental Mixed-Use Density Bonus Prototype

Prototype SDBL-I, based on Prototype V, is a rental development on a 30,000 sf site in the Priority Housing Overlay area with 59 units averaging 614 sf. This prototype includes five units affordable to Very-Low-Income households and is eligible for a 32.5 percent density bonus (resulting density of 84 du/acre). The 15 studio units, 30 one-bedroom units, and 14 two-bedroom units are arranged across three stories atop a podium parking garage (four stories with a total building height of 48 feet). This prototype is mixed-use and includes 1,869 sf of commercial space on the ground floor.

No Moderate-Income units are provided since the inclusionary housing requirement is being met by the five Very-Low-Income units for SDBL.

Prototype SDBL-II: Rental Density Bonus Prototype

Prototype SDBL-II, based on Prototype V, is a rental development on a 30,000 sf site in the Priority Housing Overlay area with 66 units averaging 811 sf. This prototype includes seven units affordable to Very-Low-Income households and is eligible for a 50 percent density bonus (resulting density 95 du/acre). The 17 studio units, 33 one-bedroom units, and 16 two-bedroom units are arranged across four stories (total building height of 60 feet). No parking is provided.

No Moderate-Income units are provided since the inclusionary housing requirement is being met by the seven Very-Low-Income units for SDBL.

Adaptive Reuse

Adaptive reuse is the process of converting buildings to accommodate new uses. In contrast to development built from the ground up, which can be modeled with some degree of predictability, such as the seven development prototypes in this Study, no adaptive reuse project is alike. Building form and floorplate layout; the extent to which a building requires seismic reinforcement, fire sprinklers, potential remediation; and a host of other factors all contribute to the economic viability (or lack thereof) of a reuse to housing.

Due to the inherent difficulty in identifying a "prototypical" adaptive reuse project to test financial feasibility, this Study does not explore the financial feasibility of modified inclusionary housing requirements for adaptive reuse projects. Generally speaking, however, it should be noted that adapting existing commercial buildings into residential units tends to be more expensive than new construction.[7]

[7] Adaptive Reuse Challenges and Opportunities in California. Turner Center for Housing Innovation, UC Berkeley, November 2021.

It can be inferred that adaptive reuse projects might not perform as well financially as a comparative "new build." Many cities have either pared back inclusionary requirements for adaptive reuse projects, such as the City of Los Angeles, or provided additional financial support to encourage the turning over of underperforming uses, such as property tax abatements in the cities of New York City, Washington, D.C., and Boston.

During the course of this Study, the City of Santa Barbara amended the inland zoning ordinance to facilitate adaptive reuse projects creating housing by adding SMBC Section 30.185.045, Adaptive Reuse Projects. The ordinance incentivizes reuse to housing with development standard incentives for maximum residential density, minimum automobile parking stall requirements, open yard requirements, and setbacks, with further incentivization by exempting rental inclusionary housing requirements for adaptive reuse projects within the Central Business District proposing fewer than 40 total units.

Table 4: Summary of Residential Prototypes, Baseline and Density Bonus

	Baseline Prototypes					Density Bonus Prototypes	
	Prototype I Owner 2-9 units Townhome	**Prototype II Owner 10+ units Condominium**	**Prototype III Rental 5-9 units Townhome Rental**	**Prototype IV Rental 10+ units Mixed-Use**	**Prototype V Rental 10+ units Mixed-Use (Large)**	**Prototype SDBL-I Rental 10+ units Mixed-Use (Large)**	**Prototype SDBL-II Rental 10+ units No Parking**
Zone	R-M	C-G	R-M	C-G	C-G	C-G	C-G
General Plan Land Use	Medium-High	High	Medium-High	AUD Priority	AUD Priority	AUD Priority	AUD Priority
Maximum Density (du/acre)	**27**	**36**	27	63	63	63	63
SDBL Utilization	None	None	None	None	None	32.50%	50.0%
Buildout Assumptions							
Site Size (sf)	9,000	15,000	9,000	15,000	30,000	30,000	30,000
Lot Coverage Assumptions	32.4%	95.3%	32.4%	95.3%	90.6%	90.6%	66.2%
GF Building Footprint (sf)	2,913	14,302	2,913	14,302	27,181	27,181	19,854
Unit Assumptions							
Maximum "Base" Units	**6.0**	**13.0**	**6.0**	**22.0**	**44.0**	**44.0**	**44.0**
Actual Units	**4.0**	**15.0**	**5.0**	**20.0**	**43.0**	**59.0**	**66.0**
Max Avg. Unit Size (sf)	1450	970	905	811	811	n/a	n/a
Actual Avg. Unit Size (sf)	1131	970	905	811	811	614	811
Residential Circ adj. (%)	85.0%	80.0%	85.0%	85.0%	85.0%	**88.4%**	85.0%
Total Residential (sf, net)	4,525	14,550	4,525	16,220	34,873	36,250	53,526
Total Residential (sf, gross)	5,324	18,188	5,324	19,082	41,027	41,027	62,972
GF Commercial (sf, gross)	**0**	0	0	1,096	1,869	1,869	0
Gross Building Area (sf)	**5,324**	**18,188**	**5,324**	**20,178**	**42,896**	**42,896**	**62,972**
Max Building Height (ft)	45	45	45	48	48	48	60
Actual Height	32	45	32	48	48	48	60
Vehicle Parking Spaces (#)	8	24	5	24	45	45	0

Sources: City of Santa Barbara; BAE, 2025.

FINANCIAL FEASIBILITY ANALYSIS

This chapter evaluates the financial feasibility of five baseline residential development prototypes that comply with the existing inclusionary housing requirements and development standards, and two residential development prototypes utilizing SDBL.

A full list of assumptions for the financial feasibility analysis, including cost assumptions, affordability thresholds, as well as the pro-forma models prepared for this analysis, are provided in Appendix C: Residential Pro-Formas.

Financial Feasibility Methodology

Financial feasibility was determined via the preparation of static pro-forma models for each prototype. These static pro-forma models represent a form of financial feasibility analysis that developers often use as an initial test of financial viability for a development concept.

The pro-formas are structured to calculate the Residual Land Value (RLV) associated with each prototype. The RLV approximates the maximum amount that a developer should be willing to pay for a given site, based on the value of the project that the developer would build on that site. The RLV method accounts for total development costs (excluding land), net operating income and capitalized sale value, among other factors, to solve for the amount a well-informed, capable developer could afford to pay for land and earn a market responsive return on investment. If the RLV is negative or below the typical range of sales prices for land or underdeveloped properties, then the project is likely to be infeasible under current conditions.

Residual Land Value = Total Project Value – Total Project Costs – Developer Profit

Financial Feasibility Thresholds

Prototypes are considered financially feasible, marginally feasible, or not feasible, depending on the resulting RLV. For each density tier (Medium-High, High, Priority Housing Overlay), the RLV is informed by land valuation assumptions based on recent sales in the City of Santa Barbara (Appendix C: Residential Pro-Formas) as well as conversations with local developers (Appendix B: Input from Practitioners).

The RLV thresholds used to determine financial feasibility in this Study are:

- Medium-High and High Density area: RLV of $125 per site square foot
- Priority Housing Overlay area: RLV of $150 per site square foot

Prototypes achieving or exceeding the density area's RLV are considered "likely feasible." Prototypes whose RLV does not quite achieve the land residual threshold may be considered "marginally feasible," and could become feasible under more favorable conditions, such as discounted land value, participation with a longer term property owner, or maintaining an

existing revenue-generating use on a portion of the project site, such as a self-storage facility. Prototypes below the density area's RLV are considered "not likely feasible."

If a developer is able to acquire land for a price that is lower than the residual land value associated with their project, the difference between the residual land value and the actual sale price essentially represents additional profit.

Baseline Prototypes

No baseline prototypes utilizing the Existing Program are identified as feasible under current market conditions. It should be noted that market conditions are subject to fluctuation, and that changes in construction costs, interest rates, financing terms, capitalization rates, and other macroeconomic conditions all impact local development feasibility. As a point in time analysis, this Study does not consider economic conditions that may benefit development feasibility in the future nor the economic conditions that supported development feasibility in the past.

Ownership projects utilizing the Existing Program are not likely feasible under current market conditions.

- Ownership Townhome Prototype (Prototype I) in the Medium-High Density area has an RLV of $81/sf. This does not meet the financial feasibility threshold of $125/sf. Prototype I is not likely feasible.

- Ownership Prototype (Prototype II) in the High Density area has an RLV of $57/sf. This does not meet the financial feasibility threshold of $125/sf. Prototype II is not likely feasible.

Rental projects utilizing the Existing Program are not likely feasible under current market conditions.

- Rental Townhome Prototype (Prototype III) in the Medium-High Density area has an RLV of $42/sf. This does not meet the financial feasibility threshold of $125/sf. Prototype III is not likely feasible.

- Rental Mixed-Use Prototype (Prototype IV) in the Priority Housing Overlay area has an RLV of $97/sf. This does not meet the financial feasibility threshold of $150/sf. Prototype IV is not likely feasible.

- Rental Mixed-Use Large Prototype (Prototype V) in the Priority Housing Overlay area has an RLV of $82/sf. This does not meet the financial feasibility threshold of $150/sf. Prototype V is not likely feasible.

Table 5 displays the financial feasibility outcomes of the five baseline prototypes that comply with the City's zoning standards.

Table 5: Summary of Residential Development Feasibility, Existing Program

	Prototype I Owner 2-9 units Townhome	Prototype II Owner 10+ units Condominium	Prototype III Rental 5-9 units Townhome Rental	Prototype IV Rental 10+ units Mixed-Use	Prototype V Rental 10+ units Mixed-Use (Large)
Site Size (sf)	9,000	15,000	9,000	15,000	30,000
Building Size (sf, gross)	5,324	18,188	5,324	20,178	42,896
Residential Area (sf, net)	4,525	14,550	4,525	16,220	34,873
Avg. Unit Size (sf, net)	1,131	970	905	811	811
Total Units	**4**	**15**	**5**	**20**	**43**
Summary of Existing Requirement					
Affordability Requirement	15% Middle	15% Middle	10% Moderate	10% Moderate	10% Moderate
Prototype Requirement	In-Lieu (2-9 units)	Onsite, Round Up	In-Lieu (5-9 units)	Onsite	Onsite + Fractional Fee
Unit Obligation	**0.60**	**1.95**	**0.50**	**2.00**	**4.30**
Compliance Method	In-Lieu Fee	2 Middle Income	In-Lieu Fee	2 Mod Income	4 Mod+Fract Fee
Fee (if required)	**$96,971**	n/a	**$113,125**	n/a	**$60,825**
Total Development Costs, Excluding Land					
Total Dev Cost (TDC)	$4,074,622	$13,375,355	$3,258,365	$12,143,275	$26,570,367
TDC per Unit	$1,018,656	$891,690	$651,673	$607,164	$617,916
TDC per Gross Building sf	$765	$735	$612	$602	$619
Residual Land Value Analysis					
Capitalized Value (Rental)	N/A	N/A	$3,635,969	$13,602,754	$29,028,303
Net Sales Rev (For Sale)	$4,801,314	$14,224,755	N/A	N/A	N/A
Residual Land Value (RLV)	$726,692	$849,400	$377,604	$1,459,480	$2,457,937
RLV per site sf	**$81**	**$57**	**$42**	**$97**	**$82**
RLV Threshold per site sf	$125	$125	$125	$150	$150
Financially Feasible?	***Not Likely Feasible***	***Not Likely Feasible***	***Not Likely Feasible***	***Not Likely Feasible***	***Not Likely Feasible***

Sources: City of Santa Barbara; BAE, 2025

Prototype I: Ownership Townhome Prototype

Not Likely Feasible

The Ownership Townhome Prototype (Prototype I) is not likely financially feasible under current market conditions.

The prototype has a total development cost of $4.07 million, not including land, and net sale proceeds totaling $4.80 million. After accounting for developer profit, the RLV for this prototype is approximately $81/sf.

Prototype II: Ownership Condominium Prototype

Not Likely Feasible

Ownership Condominium Prototype (Prototype II) is not likely financially feasible under current market conditions.

The prototype has a total development cost of $13.38 million, not including land, and net sale proceeds totaling $14.22 million. After accounting for developer profit, the RLV for this prototype is approximately $57/sf.

Prototype III: Rental Townhome Prototype

Not Likely Feasible

Rental Townhome Prototype (Prototype III) is not likely financially feasible under current market conditions.

The prototype has a total development cost of $3.26 million, not including land, and a capitalized value totaling $3.64 million. After accounting for developer profit, the RLV for this prototype is approximately $42/sf.

Prototype IV: Rental Mixed-Use Prototype

Not Likely Feasible

Rental Mixed-Use Prototype (Prototype IV) is not likely financially feasible under current market conditions.

The prototype has a total development cost of $12.14 million, not including land, and a capitalized value totaling $13.60 million. After accounting for developer profit, the RLV for this prototype is $97/sf.

Prototype V: Rental Mixed-Use Large Prototype

Not Likely Feasible

Rental Mixed-Use Large Prototype (Prototype V) is not likely financially feasible under current market conditions.

The prototype has a total development cost of $26.57 million, not including land, and a capitalized value totaling $29.03 million. After accounting for developer profit, the RLV for this prototype is approximately $82/sf.

Density Bonus Prototypes

Unlike the baseline prototypes, prototypes that utilize SDBL are likely *more* financially feasible than those meeting local zoning standards, even when factoring in the deeper affordability requirements.

Table 6 below displays the financial feasibility outcomes of prototypes utilizing SDBL.

Prototype SDBL-I: Rental Mixed-Use Density Bonus Prototype

Likely Feasible

Rental Mixed-Use Density Bonus Prototype (Prototype SDBL-I), based on Prototype V, is likely feasible under current market conditions. Prototype SDBL-I includes 10 percent of project units at rental prices affordable to Very-Low-Income households to receive 32.5 increased density from SDBL, resulting in five affordable units and 54 market-rate units.

The prototype has a total development cost of $26.46 million, not including land, and a capitalized value totaling $31.17 million. After accounting for developer profit, the RLV for this prototype is approximately $157/sf. This exceeds the financial feasibility threshold of $150/sf, and is therefore likely feasible.

Prototype SDBL-II: Rental Density Bonus Prototype

Likely Feasible

Rental Density Bonus Prototype (Prototype SDBL-II), based on Prototype V, is likely feasible based on current market conditions. Prototype SDBL-II includes 15 percent of project units at rental prices affordable to Very-Low-Income households to receive 50 percent increased density from SDBL, resulting in seven affordable units and 59 market-rate units.

The prototype has a total development cost of $35.07 million, not including land, and a capitalized value totaling $40.66 million. After accounting for developer profit, the RLV for this prototype is approximately $187/sf. This exceeds the financial feasibility threshold of $150/sf, and is therefore likely feasible.

Table 6: Summary of Residential Development Feasibility, Baseline vs SDBL

	Baseline	Density Bonus	
	Prototype V Rental 10+ units Mixed-Use (Large)	**Prototype SDBL-I Rental 10+ units Mixed-Use (Large)**	**Prototype SDBL-II Rental No Parking**
Site Size (sf)	30,000	30,000	30,000
Building Size (sf, gross)	42,896	42,896	62,972
Residential Area (sf, net)	34,873	36,250	53,526
Avg. Unit Size (sf, net)	811	614	811
Total Units	**43**	**59**	**66**
Summary of Existing Requirement			
Affordability Requirement	10% Moderate	10% VLI	15% VLI
Prototype Requirement	Onsite + Fractional Fee		
Unit Obligation	**4.30**	**5.00**	**7.00**
Compliance Method	4 Mod+Fract Fee	n/a	n/a
Fee (if required)	**$60,825**	n/a	n/a
Total Development Costs, Excluding Land			
Total Dev Cost (TDC)	$26,570,367	$26,460,245	$35,066,474
TDC per Unit	$617,916	$448,479	$531,310
TDC per Gross Building sf	$619	$617	$557
Residual Land Value Analysis			
Capitalized Value (Rental)	$29,028,303	$31,173,076	$40,662,185
Net Sales Rev (For Sale)	N/A	N/A	N/A
Residual Land Value (RLV)	$2,457,937	$4,712,832	$5,595,711
RLV per site sf	**$82**	**$157**	**$187**
RLV Threshold per site sf	$150	$150	$150
Financially Feasible?	*Not Likely Feasible*	***Likely Feasible***	***Likely Feasible***

Source: BAE, 2025.

IN-LIEU FEE ANALYSES

This chapter analyzes potential inclusionary housing in-lieu fee rates the City may charge. In-lieu fees are an alternative to providing onsite inclusionary units within a project, though the extent to which the in-lieu fee option is available for multi-unit residential projects varies.

- Ownership projects of two to nine units pay a prorated in-lieu fee.
- AUD Program rental projects with five to nine units pay a prorated in-lieu fee.
- AUD Program rental projects with 10 or more units only pay a prorated in-lieu fee based on fractional inclusionary housing requirements below 0.5.

A relatively high in-lieu fee rate tends to incentivize construction of onsite inclusionary units because the in-lieu fee payment exceeds the cost to provide the inclusionary units. Conversely, a low in-lieu fee rate tends to incentivize paying the in-lieu fee rather than providing the inclusionary units. This chapter specifically explores two possible methodologies for setting the in-lieu fee rates, as described below:

- **Construction Cost Analysis**
  The Construction Cost methodology calculates the cost for a developer to construct an onsite inclusionary unit within the project, expressed as a fee rate per square foot. Some jurisdictions use this approach to set their in-lieu fee rates to ensure that the revenue from an in-lieu fee is sufficient to support the construction of an affordable unit off site.

- **Fee Equivalent Analysis**
  The Fee Equivalent methodology calculates the in-lieu fee rate that would have the same resulting project feasibility as the cost to the developer to construct an onsite inclusionary unit. This approach estimates the in-lieu fee rate that is approximately equivalent in cost to providing inclusionary units within a market-rate project under the Existing Program.

The Residential Nexus Analysis in Appendix D identifies the "legal maximum fee" by documenting the nexus relationship between the construction of new market-rate residential units, the need for affordable housing, and the need for funds to construct affordable housing. The Residential Nexus Analysis estimates the fee rate needed to make the in-lieu fee payment commensurate with the revenue needed to address the estimated affordable housing need associated with the construction of new market-rate development. It is the highest legally defensible amount the City could charge for in-lieu fee rates.

Across all analyses conducted, the possible spread of in-lieu fee rates is shown below in Table 7 and Table 8.

Table 7: Spread of In-Lieu Fee Rates by Methodology for Rental Projects with 10+ units

	Current Fee	Fee Equivalent Analysis	Construction Cost Analysis	Maximum Nexus-Based Fee
Fee per net sf (residential)	$25.00/sf	$33.66/sf to $34.91/sf	$72.52 to $73.66/sf	$91.41/sf
Notes	Paying an in-lieu fee is not currently allowed for rental projects with 10 or more units, unless it is for a fraction below 0.5.	Setting an in-lieu fee rate of $34.91/sf, for example, has the equivalent impact on a prototype's RLV as providing four Moderate-Income units, plus a fractional fee (Prototype V).	Setting an in-lieu fee rate of $73.66/sf, for example, is roughly equivalent to the "cost" of providing four Moderate-Income units (Prototype V).	Setting an in-lieu fee rate of $91.41/sf is the legal maximum that could be charged for rental projects, as concluded in the Residential Nexus Analysis (Appendix D).

Table 8: Spread of In-Lieu Fee Rates by Methodology for Ownership Projects with 10+ units

	Current Fee	Fee Equivalent Analysis	Construction Cost Analysis	Maximum Nexus-Based Fee
Fee per net sf (residential)	n/a Current in-lieu fee rates are calculated on a per unit basis.	$72.54/sf	$83.00/sf	$72.53/sf
Notes	Paying an in-lieu fee is generally not currently allowed for ownership projects with 10 or more units projects , unless alternate compliance methods are pursued via SBMC Section 30.160.080.	Setting an in-lieu fee rate of $72.54/sf has the equivalent impact on a prototype's RLV as providing two Middle-Income units (Prototype II).	Setting an in-lieu fee rate of $83.00/sf is roughly equivalent to the "cost" of providing two Middle-Income units (Prototype II).	Setting an in-lieu fee rate of $72.53/sf is the legal maximum that could be charged for ownership projects, as concluded in the Residential Nexus Analysis (Appendix D). The comparatively lower ownership fee is due primarily to the dilution effect of larger unit sizes compared to rental projects.

Construction Cost Analysis

Many jurisdictions base their inclusionary in-lieu fee rates on the cost for a developer to construct an inclusionary unit**,** often through a formula that is tied to the cost of construction. This construction cost methodology estimates the needed subsidy (e.g., "affordability gap") to construct inclusionary housing units.

Conceptually, charging inclusionary housing in-lieu fees that are equal to the cost of constructing an inclusionary unit ensures that the revenue from an in-lieu fee rate is sufficient to support the construction of an affordable unit off site. As such, total development costs used in this analysis also account for the cost of land to capture the full construction cost of an affordable unit.

The in-lieu fee rates for each prototype for the construction cost analysis are shown in Table 9 below. All fees are based on a per square foot basis of net residential area.

Ownership Projects

The cost to construct the inclusionary units in ownership projects is based on the per-unit construction cost, including land, minus the restricted sale price for the inclusionary units.

- For Ownership Townhome Prototype (Prototype I), the estimated in-lieu fee rate using the construction cost methodology is $113.14/sf.

- For Ownership Condominium Prototype (Prototype II), the estimated in-lieu fee rate using the construction cost methodology is $83.00/sf.

Rental Projects

The cost to construct the inclusionary units in rental projects is based on the per-unit construction cost, including land, minus the amount of debt service that an inclusionary unit can support.

- For Rental Townhome Prototype (Prototype III), the estimated in-lieu fee rate using the construction cost methodology is $79.83/sf.

- Rental Mixed-Use Prototype (Prototype IV), the estimated in-lieu fee rate using the construction cost methodology is $72.52/sf.

- Rental Mixed-Use Large Prototype (Prototype V), the estimated in-lieu fee rate using the construction cost methodology is $73.66/sf.

Table 9: In-Lieu Fee Rates by Construction Cost Analysis

		Prototype I Owner 2-9 units Townhome	Prototype II Owner 10+ units Condominium	Prototype III Rental 5-9 units Townhome Rental	Prototype IV Rental 10+ units Mixed-Use	Prototype V Rental 10+ units Mixed-Use (Large)
Site Size (sf)		9,000	15,000	9,000	15,000	30,000
Building Size (sf, gross)		5,324	18,188	5,324	20,178	42,896
Residential Area (sf, net)		4,525	14,550	4,525	16,220	34,873
Avg. Unit Size (sf, net)		1,131	970	905	811	811
Total Units		**4**	**15**	**5**	**20**	**43**
Summary of Existing Requirement						
Affordability Requirement		15% Middle	15% Middle	10% Moderate	10% Moderate	10% Moderate
Prototype Requirement		In-Lieu (2-9 units)	Onsite, Round Up	In-Lieu (5-9 units)	Onsite	Onsite + Fractional Fee
Unit Obligation	(a)	**0.60**	**1.95**	**0.50**	**2.00**	**4.30**
Compliance Method		In-Lieu Fee	2 Middle Income	In-Lieu Fee	2 Mod Income	4 Mod+Fract Fee
Fee (if required)		**$96,971**	n/a	**$113,125**	n/a	**$60,825**
Fee Analysis						
TDC per Unit (exc. land and fees)	(b)	$994,413	$891,690	$629,048	$607,164	$616,501
Land per unit		$281,250	$150,000	$225,000	$112,500	$104,651
TDC per Unit including Land		$1,275,663	$1,041,690	$854,048	$719,664	$721,152
Rental Prototypes						
Avg. Monthly Rent / Inclusionary Unit	(c)	n/a	n/a	$2,181	$2,181	$2,118
Monthly Net Operating Income / Unit		n/a	n/a	$907	$907	$853
Supportable Debt / Inclusionary Unit	(d)	n/a	n/a	$131,555	$131,555	$123,745
For-Sale Prototypes						
Avg. Net Sales Revenue per Inc Unit	(e)	$422,370	$422,370	n/a	n/a	n/a
In-Lieu Fee Per Inclusionary Unit	(f)	$853,293	$619,320	$722,493	$588,109	$597,407
Total In-Lieu Fee Amount	(g)	$511,976	$1,207,675	$361,246	$1,176,217	$2,568,849
In-Lieu Fee (sf, net residential)		**$113.14**	**$83.00**	**$79.83**	**$72.52**	**$73.66**
equals Total In-Lieu Fee Amount / Net Project Area (sf)						

Notes:
(a) Refers to the number of inclusionary units required by the Existing Program.
(b) Equal to the per-unit development cost shown in the pro-formas provided in Appendix C, minus any in-lieu fee amounts for partial units or land.
(c) Average monthly rent per inclusionary unit based on rents shown in the pro-formas provided in Appendix C. Prototype III uses Prototype IV values.
(d) Supportable loan amount is based on assumed loan terms: 1.15 Debt Coverage Ratio, 6.0%, interest rate, 30 year term.
(e) Average net sales revenue per inclusionary unit is based on net sales revenues shown in the pro-formas provided in Appendix C. Prototype I uses Prototype II values.
(f) For rental prototypes, the in-lieu fee per inclusionary unit is equal to the total development cost minus the supportable debt per inclusionary unit.
For ownership prototypes, in-lieu fee per inclusionary unit is equal to the total development cost minus the average net sales revenue per inclusionary unit.

(g) Equals in-lieu fee rate multiplied by the Unit Obligation.

Fee Equivalent Analysis

The Fee Equivalent Analysis represents the hypothetical in-lieu fee amount that would be equal to the net cost to the developer of providing inclusionary units onsite. Specifically, this analysis calculates the hard-coded hypothetical in-lieu fee that (when applied) in the pro-forma model would yield an identical RLV as the same prototype with the onsite inclusionary units instead.

When alternate compliance methods *may* allow in-lieu fee payments to meet the entirety of an inclusionary housing requirement, setting the in-lieu fee rate commensurate with the fee equivalent amount neither incentivizes nor disincentivizes onsite unit creation. To the developer, a fee equivalent results in the same project financials. In-lieu fee rates that are higher than fee equivalent will generally incentivize developers to provide inclusionary units onsite because onsite units would be less expensive to the project. In-lieu fee rates that are lower than fee equivalent will generally incentivize developers to pay the in-lieu fee since the in-lieu fee amount would be less expensive.

The in-lieu fee amounts for each prototype based on the Fee Equivalent Analysis are shown in Table 10. All fees are applied on a per square foot basis of net residential area. The analysis incorporates all costs, including land, to comply with the Existing Program.

- For ownership projects, the estimated fee equivalent is $72.54/sf (Prototype II).
- For rental projects, the estimated fee equivalent ranges from $33.66 to $34.91/sf (Prototypes IV and Prototype V, respectively).

Table 10: In-Lieu Fee Rates by Fee Equivalent

	Prototype II Owner 10+ units Condominium	Prototype IV Rental 10+ units Mixed-Use	Prototype V Rental 10+ units Mixed-Use (Large)
Residential Area (sf, net)	14,550	16,220	34,873
Avg. Unit Size (sf, net)	970	811	811
Total Units	**15**	**20**	**43**
Development Program, In-Lieu Fee Scenario			
Affordability Requirement	15% Middle	10% Moderate	10% Moderate
Prototype Requirement	Onsite, Round Up	Onsite	Onsite + Fractional Fee
Unit Obligation	1.95	**2.00**	**4.30**
Compliance Method	**2 Middle Income**	**2 Mod Income**	**4 Mod+Fract Fee**
Fee (if required)	n/a	n/a	$60,825
Equivalent Fee Analysis			
In-Lieu Fee (sf, net residential)	**$72.54**	**$33.66**	**$34.91**

Source: BAE, 2025.

BENCHMARK ANALYSIS

This Benchmark Analysis chapter provides an overview of inclusionary housing requirements in jurisdictions that have comparable market conditions and are in proximity to Santa Barbara.

In-lieu fee rates and inclusionary requirements reflect each jurisdiction's approach to balancing affordable housing production with development feasibility by aligning inclusionary housing requirements and in-lieu fee rates with housing policy objectives and local market conditions. They do not necessarily reflect likely feasibility outcomes without evidence of units built or fee revenue paid, an important consideration to weigh.

This Study explores in-lieu fee rates in the following jurisdictions:

- Santa Barbara County
- City of Goleta
- City of Ventura
- City of Santa Monica
- City of San Luis Obispo

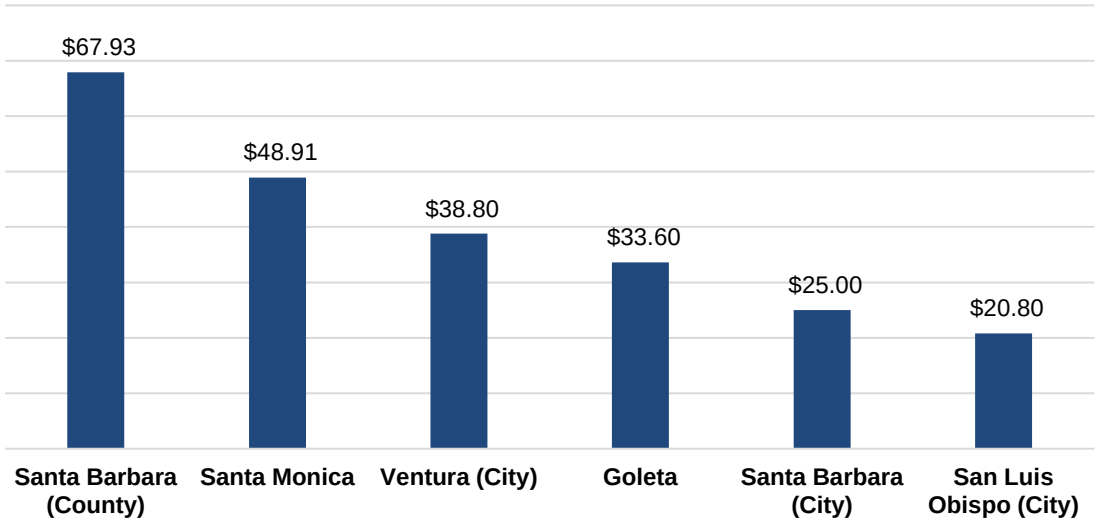
Nearly all benchmarked jurisdictions have limited ability for a developer to satisfy all inclusionary housing requirements through payment of an in-lieu fee alone. These restrictions may include requiring City Council approval to pay an in-lieu fee for the entirety of the inclusionary housing requirement, allowing in-lieu fee payments only for the purpose of meeting a fractional unit requirement, or only allowing in-lieu fee payments for smaller projects.

In-Lieu Fee Rate Comparison – Rental Projects

Figure 3 below illustrates a hypothetical inclusionary housing in-lieu fee rate applied to Prototype V if it were allowed across comparable jurisdictions. Since in-lieu fee payments are assessed using different methodologies in each benchmarked jurisdiction, this comparison normalizes all in-lieu fee rates based on an assumed project size (total unit quantity and net square feet) to identify an in-lieu fee rate per net square foot.

The City's in-lieu fee rate for rental projects is currently lower than that of other benchmarked jurisdictions, with the exception of San Luis Obispo.

Figure 3: Theoretical Rental In-Lieu Fee Rate per net square foot, applied to Prototype V



Sources: Santa Barbara County; City of Santa Monica; City of San Luis Obispo; City of Goleta; City of Ventura; BAE, 2025
Notes:
(a) The County of Santa Barbara assumes a fee of $232,700 per unit for the 2.5 percent Very-Low-Income requirement applied to 1.075 units, a fee of $232,700 per unit for the 2.5 percent Low-Income requirement applied to 1.75 units, and a fee of $869,100 per unit for the 5.0 percent Moderate-Income requirement applied to 2.15 units. The total fee is $2.37 million, which is then divided by 34,873 net square feet. The Workforce requirement is waived.
(b) The City of Santa Monica assumes a fee per gross square foot of $41.39, which is applied to 41,027 gross square feet for a total fee of $1.7 million, which is then divided by the net square footage.
(c) The City of Ventura calculation assumes a fee per net square foot of $38.80.
(d) The City of Goleta calculation assumes a fee per net square foot of $7.24 (Extremely-Low-Income), $6.50 (Very-Low-Income), $12.26 (Low-Income), and $7.60 (Moderate-Income) for a combined fee of $33.60 per net square foot.
(e) The City of Santa Barbara calculation assumes a fee per net square foot of $25.00
(f) The City of San Luis Obispo calculation applies a fee per net square foot of $20.80.

Santa Barbara County

Santa Barbara County has the same inclusionary housing requirements for both ownership and rental projects. Inclusionary units are income-restricted for a 90-year term.

Projects with 20 or more units require a total of 15 percent of total units as onsite, income-restricted units at multiple income categories: Very-Low-Income, Low-Income, Moderate-Income, and workforce (120-200 percent). One moderate unit is required for projects with five to 19 units. There is no inclusionary housing requirement for projects of four or fewer units. In 2025 the workforce requirement was waived for rental projects, however, resulting in a total 10 percent inclusionary requirement.

Developers may opt to pay an in-lieu fee rather than constructing onsite inclusionary units. The in-lieu fee amount is calculated on a per-unit fee structure, with fees ranging from $ 232,700 to $869,100 per unit depending on project location and income category.

Adaptive Reuse

Santa Barbara County does not currently have an adaptive reuse policy in place.

City of Goleta

The City of Goleta has inclusionary housing requirements for both ownership and rental projects. Inclusionary units are income-restricted for a 55-year term but can be reduced to a 30-year term by City Council.

Projects with five or more units are required to provide 20 percent of total units as income-restricted onsite at multiple income categories: Extremely-Low-Income, Very-Low-Income, Low-Income, Moderate-Income, and Above-Moderate-Income. In-lieu fee payments are required for larger projects for any fractional inclusionary housing remainder at each income category, although a project can elect to provide additional Low-Income inclusionary units instead of paying the fractional in-lieu fee amount. Projects of two to four units pay an in-lieu fee amount.

There are separate in-lieu fee rates for small (two to four units) projects and large (five or more units) projects. In-lieu fee rates for larger projects are further specified based on tenure (rental or ownership) and income category of the inclusionary requirement.

Alternative compliance methods for larger projects include lowered inclusionary housing requirements (down to 15 percent of total units) upon finding that the developer will provide a public benefit exceeding the inclusionary requirements (e.g. public park or open space) or payment of an in-lieu fee only if on-site construction is deemed infeasible.

Adaptive Reuse

Although Goleta's Industrial Districts chapter of the zoning code (Chapter 17.10) briefly mentions the term "adaptive reuse" as one of the goals of Industrial Districts, the ordinance does not establish a dedicated adaptive reuse program with procedures, exemptions, or incentives.

City of Santa Monica

The City of Santa Monica has inclusionary housing requirements for both ownership and rental projects. Inclusionary units are income-restricted for a 55-year term.

Projects consisting of six or more dwelling units must provide 15 percent of units as on-site inclusionary units, distributed across Very-Low-Income, Low-Income, and Moderate-Income levels. Projects of two to five units can provide an on-site inclusionary unit or pay an in-lieu fee.

Santa Monica calculates in-lieu fees for projects with five or fewer units per gross square foot using the in-lieu fee rate of $43.91 for rental projects and $51.30 for ownership projects. Similar to the City of Santa Barbara, rounding rules for the inclusionary requirements of

projects proposing six or more units round up to the next whole number if 0.5 or above and require a fractional in-lieu fee payment for a remainder below 0.5.

Larger projects (over 20 units) may opt to provide inclusionary units off-site at 20 percent of total units. These off-site units must be affordable to Very-Low- or Low-Income households. Any multiunit project may request a waiver for alternative compliance through dedication of land to affordable housing.

Adaptive Reuse

The City of Santa Monica adopted an Adaptive Reuse Ordinance (Section 9.31.035) in October 2024. The ordinance encourages the conversion of existing buildings to housing by exempting such projects from the City's Affordable Housing Production Program (Chapter 9.64). While this effectively streamlines adaptive reuse as a primarily market-rate housing tool, the ordinance does allow projects to be developed as 100 percent affordable housing or as "extremely affordable adaptive reuse projects" under state law, which could also unlock additional state-level incentives like density bonuses. In practice, the policy lowers barriers to reuse and boosts overall housing supply, but affordable housing will only result when developers voluntarily pursue it.

City of San Luis Obispo

The City of San Luis Obispo has inclusionary housing requirements for both ownership and rental projects. Inclusionary units are income-restricted for a 45-year term if ownership and a 55-year term if rental.

Ownership Projects

Ownership projects have an inclusionary housing requirement of 10 percent of total units evenly split for Low-Income and Moderate-Income households. Projects have the option to provide an onsite unit or pay an in-lieu fee amount based on net square feet. The in-lieu fee rate is $25.95 per net square foot.

Rental Projects

Rental projects have an inclusionary housing requirement of six percent of total units evenly split for Very-Low-Income and Low-Income households. Projects have the option to provide an onsite unit or pay an in-lieu fee amount based on net square feet. The in-lieu fee rate is $20.80 per net square foot.

Adaptive Reuse

San Luis Obispo does not currently have an adaptive reuse policy in place.

City of Ventura

The City of Ventura has inclusionary housing requirements for both ownership and rental projects. Inclusionary units are income-restricted for a 45-year term if ownership and a 55-year term if rental.

Ownership Projects

Ownership projects of seven or more units have a 10 percent inclusionary housing requirement. Projects may provide a Moderate-Income unit onsite; Very-Low-Income unit offsite; pay an in-lieu fee amount; dedicate land; or acquire, rehabilitate, and preserve existing units (20 percent project units). The in-lieu fee rate is $36.90 per net square foot.

Rental Projects

Rental projects of seven or more units have a 15 percent inclusionary housing requirement. Projects of seven to 20 units may provide Very-Low-Income and Low-Income units onsite; Very-Low-Income units offsite; pay an in-lieu fee amount; dedicate land; or acquire, rehabilitate, and preserve existing units (20 percent of project units). Projects of 21 or more units have the same compliance options but may only pay an in-lieu fee amount if onsite units are an "extreme hardship." The in-lieu fee rate is $38.80 per net square foot.

Adaptive Reuse

The city's 2021-2029 Housing Element references a future Adaptive Reuse Ordinance, but an ordinance has not yet been passed.

RECOMMENDATIONS

The following chapter provides recommendations for targeted updates to the Existing Program. For organizational purposes, the recommendations are grouped into three categories, as defined in the table below.

Table 11: Recommendations for Updates to Existing Program

Program-Related	Policy-Related	Administration-Related
Updates to Existing Program requirements such as in-lieu fee rates, eligible geographies, and differentiation between large and small projects.	*Updates designed to encourage housing development and fee payment options under the Existing Program.*	*Updates designed to simplify and streamline functions associated with administering the Existing Program.*
A. Apply Inclusionary Housing Requirements to All Rental Projects with 5+ units	F. Count Rental Inclusionary Units as Bonus Density	H. Simplify In-Lieu Fee Calculations for Ownership Projects
B. Maintain Current Inclusionary Housing Requirements	G. Consider Options for In-Lieu Fee Payments to Fulfill Inclusionary Requirements	I. Implement Automatic Annual In-Lieu Fee Rate Adjustments
C. Update the In-Lieu Fee Rate for Rental Projects with 10+ units	G.1. Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements	J. Adjust Target AMI for Moderate-Income Rents from 100% to 110%
D. Set an In-Lieu Fee Rate for Ownership Projects with 10+ units	G.2. Consider In-Lieu Fee Payment for All Inclusionary Requirements	
E. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects		

Where applicable, recommendations are framed within the context of their relative impact on financial feasibility. Impacts to a prototype's residual land value (RLV) are classified as "minimal" (0 to 5 percent impact); "marginal" (5 to 10 percent impact); or "significant" (impact greater than 10 percent).

Program-Related

A. Apply Inclusionary Housing Requirements to All Rental Projects with 5+ units

This Study recommends expanding the inclusionary housing requirements to all rental projects of five or more units developed in the City, not solely those using the AUD Program. This would mean that non-AUD rental projects inland and all rental projects in the coastal zone would be subject to the inclusionary housing requirements.

Recommendation A would increase the number of projects citywide subject to inclusionary housing requirements. This could generate additional moderate-income restricted units and revenue for the Local Housing Trust Fund, but would impact financial feasibility for rental projects not utilizing the AUD Program.

B. Maintain Current Inclusionary Housing Requirements

Rental Projects

This Study recommends maintaining the Existing Program's inclusionary housing percentage and income category for rental projects (i.e., no change to the current requirement that 10 percent of units in rental projects be set aside for Moderate-Income households).

Maintain Focus on Moderate-Income Households

- This Study considered requiring deeper affordability (e.g., Low-Income or Very-Low-Income). However, requiring inclusionary units with deeper affordability levels would reduce the financial feasibility of projects, and could trigger automatic SDBL density bonus and therefore the associated concessions, incentives, and waivers of development standards. This could potentially create more lower income units but could result in fewer Moderate-Income units to meet the Regional Housing Needs Allocation ("RHNA").

- This Study considered requiring shallower affordability (e.g., Middle-Income). While this would improve the financial feasibility of projects (because affordable rents would be higher for these units), it would not help the City comply with its RHNA obligations for Moderate-Income households.

- This Study recommends maintaining the Moderate-Income affordability requirement for rental inclusionary units. Moderate-Income affordable units have more limited funding sources (Federal, State, local, or non-profits) available to subsidize the project, and therefore they are a difficult category to obtain other than through inclusionary requirements. Maintaining the Existing Program's requirement supports meeting RHNA numbers for Moderate-Income households.

Maintain the 10 Percent Requirement

- This Study recommends maintaining the 10 Percent Moderate-Income affordability requirement for rental inclusionary units because it balances the findings from the financial feasibility analysis with the need to produce affordable housing.

- This Study considered a higher percentage requirement (e.g., 15 percent) of units set aside for Moderate-Income households. The financial feasibility analysis indicates that increasing the required inclusionary percentage would significantly decrease financial feasibility for relevant prototypes as follows:

    - For example, Prototype IV: Rental Mixed-Use Prototype would remain not likely feasible, and RLV would decrease by 23 percent, from $97 to $75 per site sf.

    - For example, Prototype V: Rental Mixed-Use Large Prototype would remain not likely feasible, and RLV would decrease by 24 percent, from $82 per site sf to $62 per site sf.

  A higher percentage requirement (e.g., 15 percent) may also have the unintended effect of making SDBL an even more attractive alternative. SDBL projects have primarily provided lower-income units (e.g., Very-Low-Income or Low-Income), but not Moderate-Income units, based on recent project applications reviewed by the City.

- This Study considered a lower percentage requirement (e.g., 5 percent) of units set aside for Moderate-Income households. The financial feasibility analysis indicates that reducing the required inclusionary percentage would increase financial feasibility for relevant prototypes. However, reducing the inclusionary requirement to this level would negatively impact the City's ability to achieve RHNA requirements for Moderate-Income units. In addition, best practices generally support maintaining stable inclusionary housing requirements, rather than making frequent, market-driven adjustments, in order to preserve predictability and transparency for the development community. Once reduced, higher inclusionary requirements are difficult to reinstate, even under improved feasibility conditions, as developers would incorporate the lower standards into their long-term project planning and financial assumptions.

Ownership Projects

This Study recommends maintaining the Existing Program's inclusionary housing percentage and income categories for ownership projects (i.e., 15 percent of units in ownership projects set aside for Middle-Income or Upper Middle-Income, as appropriate, households).

Maintain Focus on Middle-Income/Upper-Middle-Income Households

- This Study considered requiring deeper affordability (e.g., Moderate-Income). However, requiring inclusionary units with deeper affordability levels would reduce the financial feasibility of projects, and could trigger automatic SDBL density bonus and therefore the associated concessions, incentives, and waivers of development standards. This could potentially create more Moderate-Income units, but would not assist in creating Middle- and Upper-Middle-Income units, which are income categories not currently being served by the ownership market.

Maintain the 15 Percent Requirement

- This Study recommends maintaining the existing percentage requirement (e.g., 15 percent) of inclusionary housing units set aside for Middle-Income households because it balances the findings from the financial feasibility analysis with the need to produce affordable housing, although not at an income category recognized by the state or in RHNA reporting.

- The financial feasibility analysis indicates that the existing inclusionary percentage of 15 percent for ownership projects set aside for Middle-Income households is not financially feasible under current market conditions. As such, this Study did not consider a higher percentage requirement (e.g., 20 percent) of inclusionary housing units set aside for Middle-Income households.

- This Study considered a lower percentage requirement (e.g., 5 percent) of units set aside for Middle-Income households. However, as noted above, reductions in established inclusionary requirements are not generally in line with best practices, as lower requirements can be difficult to reverse once incorporated into developers' financial assumptions.

C. Update the In-Lieu Fee Rate for Rental Projects with 10+ Units

This Study recommends setting the in-lieu fee rate for rental projects at **$50.00 per net square foot** of residential space for fractional unit requirements in rental projects with 10 or more units.

- This recommendation would help the City account for construction cost increases since adoption of the $25.00 per net square foot fee rate in 2019, and more accurately reflect the cost of constructing an inclusionary unit with collected funds.

- The maximum legal in-lieu fee rate that could be charged for rental projects, as shown in the Residential Nexus Analysis (Appendix D), is $91.41 per net square foot. Setting the in-lieu fee rate higher than this amount could pose legal challenges for the City.

- The financial feasibility analysis indicates that an in-lieu fee rate of $50.00 per net square foot would minimally decrease financial feasibility for applicable prototypes.

    - For example, the RLV for Prototype V: Rental Mixed-Use Large Prototype would decrease by two percent, from $82 to $80 per site sf.

    - For example, the RLV for Prototype IV: Rental Mixed-Use Prototype would not change since this prototype does not pay an in-lieu fee.

- The recommended rental in-lieu fee rate of $50.00 per net square foot could generate additional revenue for the Local Housing Trust Fund, and is unlikely to materially impact whether new development gets built based on the minimal impact on RLV.

    - In the case of Prototype V: Rental Mixed-Use Large Prototype, Recommendation C would require a higher in-lieu fee payment of $121,650, up from $60,825 under the Existing Program.

      In-Lieu Fee Payment = Fractional Remainder ÷ Total Inclusionary Requirement x In-Lieu Fee Rate x Net Floor Area
      Fractional Remainder = 0.3
      Total Inclusionary Requirement = 4.3
      In-Lieu Fee Rate = $50.00 per square foot
      Net Floor Area = 34,873 sf
      0.3 ÷4.3 x $50.00 per sf x 34,873 sf = $121,650
      In-Lieu Fee Payment = $121,650

D. Set an In-Lieu Fee Rate for Ownership Projects with 10+ Units

This Study recommends setting the in-lieu fee rate for ownership projects to **$50.00 per net square foot** of residential space for fractional unit requirements in ownership projects of 10 or more units.

- Setting the ownership in-lieu fee rate based on the net square footage of the proposed project would align the ownership requirements with the existing rental inclusionary housing requirements and methodologies. This also supports simplifying administration of the Existing Program.

- The financial feasibility analysis indicates that an ownership in-lieu fee rate of $50.00 per net square foot would improve financial feasibility for projects that would be newly-eligible for paying on a fractional unit, such as Prototype II.

- The maximum legal in-lieu fee rate that could be charged for ownership projects, as shown in the Residential Nexus Analysis (Appendix D), is $72.53 per net square foot. Setting the in-lieu fee rate higher than this amount could pose legal challenges for the City.

- Possible benefits to implementing Recommendation D could include generating additional revenue for the Local Housing Trust Fund.

E. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects

This Study recommends setting a lower in-lieu fee rate of **$35.00 per net square foot** for "small" ownership and rental projects with fewer than 10 units.

- "Small" projects are defined as those proposing fewer than 10 units; the lower in-lieu fee rate would apply to ownership projects with two to nine units and rental projects with five to nine units.

- Small projects face financial feasibility challenges when compared to larger projects with 10 or more units due to factors such as reduced economies of scale. As such, this Study does not recommend the $50.00 per net square foot fee that is being proposed for larger projects in Recommendations C (rental projects) and D (ownership projects).

- The recommended in-lieu fee rate for smaller projects is based in part on the current fee rate of $25.00 per net square foot of residential space, adopted in 2019 for rental AUD projects, adjusted for inflation. The recommended $35.00 per net square foot in-

lieu fee rate could help the City account for cost increases and more accurately reflect the cost of constructing an inclusionary unit with collected funds.

- The financial feasibility analysis indicates that implementing Recommendation E could marginally to significantly decrease financial feasibility for applicable prototypes:
    - For example, Prototype I: Ownership Townhome Prototype would remain not likely feasible, and have a decreased RLV of 9.9 percent, from $81 to $73 per site sf.
    - For example: Prototype III: Rental Townhome Prototype would remain not likely feasible and have a decreased RLV of 14 percent, from $42 to $36 per site sf.

- There is no identified precedent in the benchmarked jurisdictions of Santa Barbara County, City of Goleta, City of Santa Monica, City of San Luis Obispo, and City of Ventura for setting a lower fee for small projects, but there is precedent in other California cities (such as the City of Sunnyvale and the City of Berkeley).

Policy-Related

F. Count Rental Inclusionary Units as Bonus Density

This Study recommends that the City exclude inclusionary units from maximum density calculations for rental projects. This recommendation would align the ownership and rental inclusionary housing requirements to count *all* inclusionary units as bonus density (i.e., ownership units in the Existing Program are already entitled a bonus density for on-site units).

- Counting rental inclusionary units as bonus density would benefit total rental units created in all projects that require onsite inclusionary units.
    - For example, Prototype IV: Rental Mixed-Use Prototype, with an obligation of two Moderate-Income inclusionary units, could provide 22 total units (versus 20 units under current requirements).
    - For example, Prototype V: Rental Mixed-Use Large Prototype, with an obligation of four Moderate-Income inclusionary units, could provide 47 units (versus 43 units under current requirements).
- The financial feasibility analysis indicates that implementing Recommendation F would significantly improve financial feasibility for applicable prototypes:
    - For example, the RLV for Prototype IV: Rental Mixed-Use Prototype would increase by 28 percent from not likely feasible ($97 per site sf) to marginally feasible ($124 per site sf).
    - For example, the RLV for Prototype V: Rental Mixed-Use Large Prototype would increase by 38 percent from $82 to $113 per site sf, although it would remain not likely feasible.

G. Consider Options for In-Lieu Fee Payments to Fulfill Inclusionary Requirements

This Study recommends the City consider expanding compliance options for inclusionary housing requirements with in-lieu fee payments. This recommendation proposes two options that are standalone; only one option can be implemented.

- *Option G.1 Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements* Consider allowing in-lieu fee payment for all fractional inclusionary requirements, regardless of the total number of units proposed in the project or the tenure of the units (i.e., on projects with 10 or more units, do not require an additional unit for fractions of 0.5 or more). This recommendation would apply the in-lieu fee rates proposed in Recommendations C (rental projects) and D (ownership projects). The

Existing Program only allows small projects with fewer than 10 units the option to fulfill inclusionary housing requirements with an in-lieu fee payment; this recommendation would allow projects of all sizes this compliance option.

- This option would simplify program requirements as well as reduce program application and administration complexities.
    - For example: Prototype II, with an obligation of 1.95 Middle--Income units, provides two onsite units as affordable to Middle-Income households, due to rounding conventions for ownership projects in place under the Existing Program.
    - Allowing a fee of $50.00 per net sf of residential space to be paid on the fractional remainder of 0.95 would significantly improve financial feasibility for Prototype II, with RLV increasing by 23 percent from $57 per site sf to $70 per site sf.
    - Compared to projects with no fractional requirement, projects with a fractional unit requirement face greater feasibility constraints because the cost of providing the affordable unit that is rounded up is spread across a smaller number of market-rate units. Allowing an in-lieu fee payment for all fractional units could mitigate this feasibility challenge for projects with fractional requirements.
    - The requirement to round fractional inclusionary unit obligations up to the next whole unit for projects of ten or more units may, in some cases, discourage developers from maximizing unit counts in order to avoid triggering an additional inclusionary unit (e.g. building 24 units instead of 25 units). Allowing an in-lieu fee payment alternative would reduce this incentive and support more efficient residential project sizing.
- Expanding compliance options for in-lieu fee payments to meet inclusionary housing requirements may increase flexibility for a developer—a project can provide an onsite unit or pay the in-lieu fee amount—and could generate additional revenue for the Local Housing Trust Fund.
- Consequences of this option may be a possible decrease in the number of onsite inclusionary units created in multi-unit residential developments.

- *Option G.2 Consider In-Lieu Fee Payment for All Inclusionary Requirements*
  Consider allowing all inclusionary housing requirements to be fulfilled with an in-lieu fee payment, without requiring any onsite inclusionary units. This recommendation would apply a different set of in-lieu fee rates than those in Recommendations C (rental projects), D (ownership projects), and E (small projects).

  - Option G2 was not evaluated for financial feasibility; rather, it is presented as a range illustrating the minimum fee amount needed to construct the inclusionary unit(s) and the maximum legally allowable fee amount.

  - **Construction-Cost-Based Fee Rate:** The minimum in-lieu fee rates derived from the construction cost analysis, which reflects the cost to construct an inclusionary unit.

    - $72.52 to $73.66 per net residential sf for rental projects
    - $83.00 per net residential sf for ownership projects

  - **Nexus-Based Fee Rate:** From a legal perspective, the maximum in-lieu fee rate possible would need to be set *below* those analyzed in the Residential Nexus Analysis (Appendix D).

    - $91.41 per net residential sf for rental projects
    - $72.53 per net residential sf for ownership projects

- **Possible Method for Setting In-Lieu Fee Rates for Projects that Waive all Onsite Inclusionary Requirements:**
  To the extent that the City chooses to allow projects to address the entire inclusionary requirement through payment of an in-lieu fee, consider setting a single in-lieu fee rate of up to $72.00 per net square foot for both rental and ownership projects. This fee rate is consistent with the fee based on construction cost for rental projects and the Nexus-based fee for ownership projects. While the Nexus Analysis supports a fee of up to $91.41 per net residential square foot for rental projects, applying the same rate to both rental and ownership projects avoids charging rental units more than ownership units. Because rental housing is generally more affordable, fees for rental units are typically equal to or lower than those for ownership units, reducing the potential for favoring ownership housing over rental housing.

  - Benefits to expanding options for in-lieu fee payments to meet inclusionary housing requirements could include generating additional revenue for the Local Housing Trust Fund, and allowing increased flexibility for a project to

either pay the in-lieu fee amount or construct onsite inclusionary units. This option could also be seen as a benefit to a developer; since no inclusionary units are constructed within the multi-unit residential project, there is no 90-year relationship with the City to manage the inclusionary units.

- This option could reduce the production of Moderate- and Middle-Income units, as developers might choose to pay an in-lieu fee instead of providing units at these affordability levels on site, with the resulting revenues directed to the Local Housing Trust Fund, which is predominantly used to support the production and preservation of lower income affordable units.

Administration-Related

H. Simplify In-Lieu Fee Calculations for Ownership Projects

This Study recommends simplifying the methodology for calculating in-lieu fee amounts for ownership projects by aligning it with the methodology currently in place for rental projects. This recommendation would apply in-lieu fee requirements for ownership projects on a net residential square foot basis, rather than a per-unit basis.

- The recommended in-lieu fee calculation formula for ownership projects is the current calculation formula used for rental projects.

  In-Lieu Fee Payment = Fractional Remainder ÷ Total Inclusionary Requirement x In-Lieu Fee Rate x Net Floor Area

- Recommendation H would reduce the administrative burden for City staff, and minimize confusion among applicants. This recommendation works in tandem with Recommendations C (rental projects), D (ownership projects), and E ("small" projects).

I. Implement Automatic Annual In-Lieu Fee Rate Adjustments

This Study recommends that the City implement a system for automatically adjusting the recommended in-lieu fee rates annually to help account for inflationary increases in the cost of construction.

- The current rental in-lieu fee rate of $25.00 per net sf of residential space has not been updated since adoption of the rental inclusionary housing requirements in July 2019. Had the in-lieu fee been implemented with an automatic adjustment to account for inflation based on the Consumer Price Index for All Urban Consumers (CPI-U) for the "Pacific" region, the equivalent fee as of September 2025 would be approximately $31.72 per sf of residential space.[8]

- The recommended automatic annual in-lieu fee rate adjustment calculation is based on the change in the CPI-U for the "Pacific" region, available from the U.S. Bureau of Labor Statistics.[9]

  - *Inflation Adjustment Calculation:*
    Change in Inflation Rate = Current Inflation Rate – Previous Inflation Rate

[8] https://data.bls.gov/timeseries/CUUR0490SA0
[9] https://data.bls.gov/timeseries/CUUR0490SA0

Inflation Adjustment = Change in Inflation Rate ÷ Previous Inflation Rate

Example: Inflation Adjustment Calculation:
Change in Inflation Rate = Current Inflation Rate – Previous Inflation Rate
Current Inflation Rate (CPI-U September 2025) = 133.724
Previous Inflation Rate (CPI-U July 2019) = 105.397
133.724 – 105.397 = 28.327
Change in Inflation Rate = 28.327

Inflation Adjustment = Change in Inflation Rate ÷ Previous Inflation Rate
Change in Inflation Rate = 28.327
Previous Inflation Rate (CPI-U July 2019) = 105.397
28.327 ÷ 105.397 = 26.9 percent increase
Inflation Adjustment = 1.269

- *Adjusted In-Lieu Fee Rate Calculation:*
  Adjusted In-Lieu Fee Rate = Current In-Lieu Fee Rate x Inflation Adjustment

  Example: In-Lieu Fee Rate Adjustment Calculation:
  Adjusted In-Lieu Fee Rate = Current In-Lieu Fee Rate x Inflation Adjustment
  Current In-Lieu Fee Rate = $25.00 per square foot
  Inflation Adjustment = 1.269
  $25.00 x 1.269 = $31.72
  Adjusted In-Lieu Fee Rate = $31.72 per square foot

- Recommendation I maintains in-lieu fee rates over time to remain proportionally consistent with inflating costs. This recommendation would align future in-lieu fee payments collected in the Local Housing Trust Fund to better support inflating construction costs for affordable units. If local rents do not increase at the same rate as the CPI-U, financial feasibility may decrease.

J. Adjust Target AMI for Moderate-Income Rents from 100% to 110%

This Study recommends adjusting the Target Income for maximum rent calculations for Moderate-Income inclusionary units. This recommendation would align the City with methodology used by the State by applying a target of 110 percent of AMI for Moderate-Income rent calculations.

- The financial feasibility analysis indicates that Recommendation J would marginally increase financial feasibility.

  - For example, Prototype IV: Rental Mixed-Use Prototype would remain not likely feasible but would have an increased RLV of seven percent, from $97 to $104 per site sf.

  - For example, Prototype V: Rental Mixed-Use Large Prototype would remain not likely feasible but would have an increased RLV of seven percent, from $82 to $88 per site sf.

- Recommendation J would increase maximum monthly rent required from a tenant in an inclusionary unit.

- The lack of alignment between City programs and those used by state and federal agencies is posing complications for applicants and staff, especially when rents for inclusionary units may be calculated differently than HUD (Federal) and CTCAC (State) standards.

- Additional variables in the City's methodology for calculating income limits and maximum rents for inclusionary and affordable units should also be evaluated to better align with existing methodologies used for State and Federally funded affordable units, such as the City-specific Unit Size Adjustment Factor (USAF).

APPENDIX A: ASSUMPTIONS AND FORMULAS

Income

The City of Santa Barbara bases its household income limits on Area Median Income (AMI) figures supplied by the United States Department of Housing and Urban Development (HUD), published each year in April. Table 12 below displays income limits for the City of Santa Barbara, effective in 2025, based on an AMI of $113,300.

Table 12: City of Santa Barbara Income Limits, effective April 2025

City of Santa Barbara
Income Limits

Effective Date: April 1, 2025
Area Median Income: $ 113,300

Income Category	*% of Median*	*Household Size*					
		1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
Household Size Adjustment		*0.7*	*0.8*	*0.9*	*1*	*1.08*	*1.16*
Median	100%	$ 79,310	$ 90,640	$ 101,970	$ 113,300	$ 122,364	$ 131,428
Extremely Low*		$ 37,100	$ 42,400	$ 47,700	$ 52,950	$ 57,200	$ 61,450
Very Low*	50%	$ 61,800	$ 70,600	$ 79,450	$ 88,250	$ 95,350	$ 102,400
Low*	80%	$ 98,850	$ 113,000	$ 127,100	$ 141,200	$ 152,500	$ 163,800
Moderate	120%	$ 95,172	$ 108,768	$ 122,364	$ 135,960	$ 146,837	$ 157,714
Middle	160%	$ 126,896	$ 145,024	$ 163,152	$ 181,280	$ 195,782	$ 210,285
Upper-Middle	200%	$ 158,620	$ 181,280	$ 203,940	$ 226,600	$ 244,728	$ 262,856

* figures supplied by HUD for the County of SB due to the high cost area

Calculation for Mod, Mid, and Up-Mid: AMI x Household Size Adjustment x % of Median

Unit Monthly Rents and Sale Prices

Market-Rate Rents

Market-Rate rents used in this Study are based on Q1 2025 date from CoStar for newly-constructed (2017-2025) multiunit residential properties. The dataset includes approximately 387 units in 12 buildings. Price per square foot values, shown in Table 13 below, were used to calculate market-rate rents based on prototype unit sizes for each residential pro-forma.

Table 13: Multifamily Market Overview, Built 2017+, City of Santa Barbara

City of Santa Barbara	Studio	1 BR	2 BR	3 BR	All Unit Types
Inventory, Q1 2025 (units)	66	58	248	15	387
% of Units	17.1%	15.0%	64.1%	3.9%	100.0%
Occupied Units	64	55	220	14	353
Vacant Units	2	3	28	1	34
Vacancy Rate	3.0%	5.2%	11.3%	6.7%	8.8%
Avg. Unit Size (sf)	557	661	852	1,020	790
Avg. Asking Rents, Q2 2024 - Q1 2025					
Avg. Asking Rent per unit, Q1 2025	$3,559	$3,731	$4,360	$4,744	$4,129
Avg. Asking Rent per unit, Q2 2024	$3,619	$3,631	$4,085	$4,544	$3,943
% Change Q2 2024 - Q1 2025	-1.7%	2.8%	6.7%	4.4%	4.7%
Avg. Asking Rent psf, Q1 2025	$6.74	$5.67	$5.15	$4.65	$5.39
Avg. Asking Rent psf, Q2 2024	$6.86	$5.52	$4.82	$4.45	$5.15

Source: CoStar, 2025; BAE, 2025

Market-Rate Sales Prices

Market-rate ownership unit sale prices used in this Study are based on condominium sales in newer buildings (built 2007 or later) from Redfin. The sample size of newer condominium buildings is comparatively small—only 3 locations—due to lack of recent condominium construction. Price per square foot values, shown in Table 14 below, were used to calculate market-rate sale prices based on prototype unit sizes for each residential pro-forma.

Table 14: Sales Prices in Newer (2007+) Condominiums, City of Santa Barbara

Address	Sale Price	Size (sf)	Price per sf
601 E Micheltorena St	$1,550,000	1281	$1,210
3718 State Street	$1,850,000	1627	$1,137
105 De La Guerra	$1,875,000	1820	$1,030
105 De La Guerra	$1,995,000	1819	$1,097
Median Sale Price		**$1,862,500**	
Median Sale ppsf		**$1,116.91**	

Source: Redfin, 2025; BAE, 2025.

Affordable Rents

Maximum affordable rents are calculated by City staff based on the annual income limits published by HUD (see Table 15).

The residential pro-formas use the City's maximum rent calculation method.

Table 15: Maximum Rents for Low- and Moderate-Income Households

City of Santa Barbara
Rent Limits

Effective Date: 4/1/2025

Area Median Income: $ 113,300

				Maximum Rental Amount				
				Studio	**1 Bdrm**	**2 Bdrm**	**3 Bdrm**	**4 Bdrm**
	Target Income %	Maximum Income %	USAF	0.60	0.75	0.90	1.00	1.08
Low Income	60%	80%		**$ 1,020**	**$ 1,275**	**$ 1,530**	**$ 1,700**	**$ 1,835**
Moderate Income	100%	120%		**$ 1,700**	**$ 2,124**	**$ 2,549**	**$ 2,833**	**$ 3,059**

Maximum Rent Formula:

1/12 x 30% x Area Median Income x Target Income % x Unit Size Adjustment Factor (USAF)

The City's requirements for maximum rents assume that the landlord pays all utilities. If the tenant is required to pay some or all of the utilities, the maximum rents are reduced in accordance with a schedule prepared by the Housing Authority and approved by HUD. The utility schedule varies not only by number of bedrooms in the unit but also by the various utility combinations (i.e., all electric versus all electric except space heating, etc.)

Affordable Sale Prices

Affordable sale prices for ownership units are calculated annually by the City following procedures in the Affordable Housing Policies and Procedures. See Table 16.

Table 16: Maximum Sales Prices by Income Level, City of Santa Barbara, 2025

City of Santa Barbara

AFFORDABLE HOUSING UNITS - MAXIMUM SALE PRICES

April 1, 2025

Area Median Income $ 113,300

Income Restricted

Income Level	Target Income	Studio	1 BD	2 BD	3BD	4BD
Low 80% or below	70%	$ 102,000	$ 127,200	$ 152,200	$ 173,800	$ 194,000
Moderate 80% - 120%	100%	$ 257,100	$ 306,600	$ 355,700	$ 405,200	$ 444,600
Middle 120% - 160%	120%	$ 267,000	$ 355,700	$ 444,600	$ 503,800	$ 551,200
Upper Middle 160% - 200%	160%	$ 385,400	$ 503,800	$ 622,200	$ 701,000	$ 764,100

Moderate thru Upper-Middle Assumes:

10% down
5.8% interest rate
.25% added to rate for PMI
35% housing debt to income
$590 HOA average from survey of market rate
1.25% yearly property tax rate

LOW Income Ownership Assumes:

5% down
5.8% interest rate
.25% added to rate for PMI
30% housing debt to income
$590 HOA average from survey of market rate
1.25% yearly property tax rate
Utility Allowance for Sewer & Trash

Utility Allowances

Utility allowances are based on data published by the U.S. Department of Housing and Urban Development (HUD), effective January 2025, as shown in Table 17 below. Utility allowances used in this Study are based on a blended electric and natural gas using Basic Electricity, All Natural Gas, Water, Sewer, and Trash.

Table 17: Utility Allowance Table, City of Santa Barbara, 2025

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ALLOWANCES FOR TENANT FURNISHED UTILITIES AND OTHER SERVICES
SECTION 8 AND PUBLIC HOUSING (EXCEPT VISTA LA CUMBRE AND SYCAMORE GARDENS)

Effective 01/01/25

Locality: / Localidad:

Santa Barbara City / *Ciudad de Santa Barbara*
All Dwelling Types / *Todo Tipo de Viviendas*

Monthly Allowance
Mensualidades Autorizadas

UTILITY OR SERVICE (Utilidad O Servicio)	0-BR	1-BR	2-BR	3-BR	4-BR	5-Br+
ELECTRICITY (Electricidad)						
1. Basic (Básico)	26	34	45	55	69	80
2. Cooking (Cocinar)	9	10	11	11	15	19
3. Domestic Hot Water (Agua Caliente)	4	10	13	17	23	26
4. Heating (Calefacción)	5	9	12	15	19	20
5. All Electric (Todo Eléctrico)	44	63	81	98	126	145
NATURAL GAS (Gas Natural)						
1. Space Heating (Calefacción)	7	9	10	14	17	19
2. Cooking (Cocinar)	7	9	10	12	14	16
3. Domestic Hot Water (Agua Caliente)	5	11	14	16	22	24
4. All Natural Gas (Todo Gas Natural)	19	29	34	42	53	59
WATER (Agua)	19	28	39	50	55	65
SEWER (Drenaje)	18	24	33	52	58	69
TRASH (Colección De Basura)	15	19	24	42	42	42
RANGE (Estufa)	5	5	5	5	5	5
REFRIGERATOR (Refrigerador)	6	6	6	6	6	6

In-Lieu Fee Calculations

Existing Program

In-Lieu Fee Calculation for Ownership

The in-lieu fee amount for ownership projects is prorated based on project size. The amount is based on the Estimated Production Cost of a two-bedroom unit, the average unit size of market-rate units, and the number of proposed units. City staff calculates the in-lieu fee rate. The ownership in-lieu fee calculation method is provided in SBMC Chapter 30.160, Inclusionary Housing, and the Affordable Housing Policies and Procedures.

The following is a sample in-lieu fee calculation for Prototype I: Ownership Townhome.

The Estimated Production Cost of a two-bedroom unit is $1,129,750 as shown below in Table 18 (SBMC 30.160.070.B).

Estimate Production Cost Calculation Formula (SBMC 30.160.070.B)
Median Sales Price of 2-bedroom Condo – Developer Profit – Affordable Sale Price for Low-Income Household

Example Calculation (Existing Program): Estimated Production Cost
Estimated Production Cost = Median Sales Price of 2-bedroom Condo – Developer Profit – Affordable Sale Price for Low-Income Household

Median Sales Price of 2-bedroom Condominium Unit = $1,129,750 *(see* Table 18*)*
Developer Profit = 15% ($1,129,750 x 15% = $169,462.50)
Affordable Sale Price for Low-Income household = $152,200 (see Table 16*)*

$1,129,750 - $169,462.50 - $152,200 = $808,088

Table 18: Median 2-br Condominium Sales Price, Q1 2025, City of Santa Barbara

Condominium Address	Sales Price	# Beds	# Baths	Size (sf)	Year Built	Price per sf
401 Chapala St #405	$3,650,000	2	2	1969	2008	$1,854.00
929 Laguna St #D	$2,402,000	2	2.5	1901	2007	$1,264.00
350 Chapala St #301	$2,100,000	2	2	1868	2003	$1,124.00
208 Santa Barbara St #D	$2,050,000	2	2.5	1954	2003	$1,049.00
105 W De la Guerra St #Q	$1,995,000	2	2.5	1819	2007	$1,097.00
105 W De la Guerra St #R	$1,875,000	2	2.5	1820	2007	$1,030.00
362 Por la Mar Cir	$1,850,000	2	2	1100	1996	$1,682.00
3718 State St #315	$1,850,000	2	2	1627	2019	$1,137.00
400 E Pedregosa St #C	$1,800,000	2	2	1655	1962	$1,088.00
105 W De la Guerra St #P	$1,765,000	2	2.5	1809	2007	$976.00
216 Santa Barbara St #B	$1,660,000	2	2.5	1696	2004	$979.00
212 Santa Barbara St #B	$1,610,000	2	2.5	1696	2004	$949.00
2754 Miradero Dr	$1,595,000	2	2	1604	1963	$994.00
271 Calle Esperanza	$1,465,000	2	2.5	1499	1997	$977.00
18 E Valerio St	$1,340,000	2	2.5	1343	1980	$998.00
50 Barranca Ave #10	$1,295,000	2	2		1973	
15 W Arrellaga St #1	$1,280,000	2	2	1578	1987	$811.00
2824 Miradero Dr	$1,250,000	2	2	1358	1963	$920.00
2090 Cliff Dr	$1,246,000	2	2.5	1582	1983	$788.00
513 Coronel Pl #2	$1,175,000	2	2.5	1484	2003	$792.00
2525 State St #20	$1,150,000	2	1.5	1368	1967	$841.00
2633 State St #1	$1,132,000	2	2	1392	1958	$813.00
101 Oceano Ave #12	$1,127,500	2	2	892	1959	$1,264.00
1026 E De la Guerra St #2	$1,112,000	2	2	1375	1981	$809.00
2732 Miradero Dr	$1,099,000	2	2	1184	1963	$928.00
2732 Miradero Dr Unit A	$1,099,000	2	2	1184	1963	$928.00
1924 Bath St #B	$1,050,000	2	2	690	1924	$1,522.00
325 Ladera St #5	$975,000	2	2	1090	1987	$894.00
12 W Constance Ave #4	$975,000	2	2	1392	1958	$700.00
2821 Miradero Dr #D	$949,000	2	1.5	1088	1964	$872.00
972 Miramonte Dr #3	$940,500	2	1.5	1104	1973	$852.00
3340 McCaw Ave #205	$930,000	2	2	1246	1974	$746.00
1225 E Cota St #B	$925,000	2	2	1170	1987	$791.00
3639 San Remo Dr #18	$915,000	2	2	1049	1963	$872.00
520 E De la Guerra St #C	$910,000	2	1.5	1271	1985	$716.00
1600 Garden St #29	$905,000	2	2	1076	1968	$841.00
2648 State St #29	$900,000	2	2	1311	1968	$686.00
25 Ocean View Ave #A2	$898,149	2	1.5	1286	1981	$698.00
611 W Sola St #9	$890,000	2	1.5	1110	1983	$802.00
1121 Chino St #3	$890,000	2	1.5	1112	1977	$800.00
3663 San Remo Dr #1g	$880,000	2	2	1123	1968	$784.00
2525 State St #16	$875,000	2	2	1400	1968	$625.00
1600 Garden St #32	$799,000	2	2	889	1968	$899.00
2727 Miradero Dr #305	$760,000	2	2	1063	1969	$715.00
Median 2 br Sales Price	**$1,129,750**					

Notes: Based on previous 12 month sales within City of Santa Barbara as of Q1 2025.
Excludes sales prices associated with deed-restricted units.
Source: Redfin, 2025; BAE, 2025.

When market-rate units have an average unit size smaller than 1,700 square feet, the Estimated Production Cost is appropriately adjusted. (SBMC 30.160.070.D)

- 15 percent reduction when average market-rate unit sizes are 1,400 to 1,699 sf
- 20 percent reduction when average market-rate unit sizes are 1,100 to 1,399 sf
- 25 percent reduction when average market-rate unit sizes are 800 to 1,099 sf
- 30 percent reduction when average market-rate unit sizes are less than 800 sf

Adjusted Estimated Production Cost Calculation Formula (SBMC 30.160.070.D)
Estimated Production Cost – (Estimated Production Cost x Adjustment Percent)

Example Calculation (Existing Program): Adjusted Estimated Production Cost
Estimated Production Cost – (Estimated Production Cost x Adjustment Percent)
Estimated Production Cost = $808,088
Adjustment Percent = 20% reduction
$808,088 – ($808,088 x 20%) = $646,470

The ownership in-lieu fee rate for projects of two to nine units is five percent of the adjusted Estimated Production Cost. (SBMC 30.160.030.A.2)

In-Lieu Fee Rate for Two to Nine Unit Project Calculation Formula (SBMC 30.160.030.A.2)
Adjusted Estimated Production Cost x 5%

Example Calculation (Existing Program): In-Lieu Fee Rate for Two to Nine Unit Projects
Adjusted Estimated Production Cost x 5%
Adjusted Estimated Production Cost = $646,470
$646,470 x 5% = $32,324

The in-lieu fee amount for projects of two to nine units is the In-Lieu Fee Rate multiplied by one less than the number of units proposed in the project. (SBMC 30.160.030.A.2)

In-Lieu Fee Amount for Two to Nine Unit Project Calculation Formula (SBMC 30.160.030.A.2)
In-Lieu Fee Rate for Two to Nine Unit Project x (Total Proposed Units – 1 Unit)

Example Calculation (Existing Program): In-Lieu Fee Amount for Two to Nine Unit Projects
In-Lieu Fee Rate for Two to Nine Unit Project x (Total Proposed Units – 1 Unit)
In-Lieu Fee Rate for Two to Nine Unit Project = $32,324
Total Proposed Units = 4 units
$32,324 x (4 units – 1 unit) = ***$96,971***

In-Lieu Fee Calculation for Rental

The in-lieu fee amount for AUD Program rental projects is prorated based on project size. The amount is based on the in-lieu fee rate, inclusionary housing requirement, and net residential area of the project.

There is one formula used for all rental in-lieu fee amounts. (SBMC 30.150.120.C)

Rental In-Lieu Fee Amount Calculation Formula (SBMC 30.150.120.C)
Fractional Inclusionary Requirements / Total Inclusionary Requirement x In-Lieu Fee Rate x Net Floor Area

The in-lieu fee rate for all AUD Program rental projects is $25.00 per square foot. (SBMC 30.150.120.B)

The inclusionary housing requirement is 10 percent of the total proposed units. The in-lieu fee amount is based on the fractional remainder of the inclusionary housing requirement divided by the total inclusionary housing requirement. For projects of five to nine units, the fractional inclusionary requirement and total inclusionary requirement are always the same number. For projects of 10 or more units, the fractional inclusionary requirement will always be less than 0.5, since any inclusionary requirement calculation with a remainder of 0.5 or above is rounded up to the next whole number for onsite units.

The following are sample in-lieu fee calculations for Prototype III: Rental Townhome and Prototype V: Rental Mixed-Use Large.

Example Calculation (Existing Program): Rental In-Lieu Fee Amount for Prototype III
Fractional Inclusionary Requirements / Total Inclusionary Requirement x In-Lieu Fee Rate x Net Floor Area

Fractional Inclusionary Requirement = 0.5
Total Inclusionary Requirement = 0.5
In-Lieu Fee Rate = $25.00 per square foot
Net Floor Area = 4,525 square feet

0.5 / 0.5 x $25/sf x 4,525 sf = $113,125

Example Calculation (Existing Program): Rental In-Lieu Fee Amount for Prototype V
Fractional Inclusionary Requirements / Total Inclusionary Requirement x In-Lieu Fee Rate x Net Floor Area

Fractional Inclusionary Requirement = 0.3
Total Inclusionary Requirement = 4.3
In-Lieu Fee Rate = $25.00 per square foot
Net Floor Area = 34,873 square feet

0.3 / 4.3 x $25/sf x 34,873 sf = $60,825

In-Lieu Fee Rates and Inflation

The ownership in-lieu fee rate maintains a relationship with inflation and current costs because it is based on unit sales prices from the preceding four quarters.

The rental in-lieu fee rate is a static value of $25.00 per square foot and has not kept pace with inflation and current costs. The rate has remained $25.00 since it was adopted in 2019. To keep pace with inflation, based on the Consumer Price Index for all Urban Consumers (CPI-U) for the "Pacific" region, which is readily available from the U.S. Bureau of Labor Statistics, the rate would have increased 26.9 percent since adoption up to $31.72 per square foot (July 2019 to September 2025).

- *Inflation Adjustment Calculation:*
  Change in Inflation Rate = Current Inflation Rate – Previous Inflation Rate
  Inflation Adjustment = Change in Inflation Rate ÷ Previous Inflation Rate

  Example: Inflation Adjustment Calculation:
  Change in Inflation Rate = Current Inflation Rate – Previous Inflation Rate
  Current Inflation Rate (CPI-U September 2025) = 133.724
  Previous Inflation Rate (CPI-U July 2019) = 105.397
  133.724 – 105.397 = 28.327
  Change in Inflation Rate = 28.327

  Inflation Adjustment = Change in Inflation Rate ÷ Previous Inflation Rate
  Change in Inflation Rate = 28.327
  Previous Inflation Rate (CPI-U July 2019) = 105.397
  28.327 ÷ 105.397 = 26.9 percent increase
  Inflation Adjustment = 1.269

- *Adjusted In-Lieu Fee Rate Calculation:*
  Adjusted In-Lieu Fee Rate = Current In-Lieu Fee Rate x Inflation Adjustment

  Example: In-Lieu Fee Rate Adjustment Calculation:
  Adjusted In-Lieu Fee Rate = Current In-Lieu Fee Rate x Inflation Adjustment
  Current In-Lieu Fee Rate = $25.00 per square foot
  Inflation Adjustment = 1.269
  $25.00 x 1.269 = $31.72
  Adjusted In-Lieu Fee Rate = $31.72 per square foot

Estimated Construction Cost for an Affordable Unit

The estimated average construction cost for an affordable unit in Santa Barbara County is based on cost estimates provided in ten applications for tax credit funding that were submitted in 2023 and 2024 for proposed affordable housing developments in Santa Barbara, Ventura, and San Luis Obispo County. Cost information from applications was inflated to 2025 estimates based on the RS Means Historical Cost Index. Based on the information from these applications, the estimated average cost to construct an affordable housing unit in Santa Barbara County is approximately $757,000, as shown in Table 19 below.

This may underestimate the cost of constructing new affordable units in Santa Barbara; for example, the Housing Authority recently estimated that the cost to construct affordable housing in Santa Barbara averages approximately $1 million per unit. To the extent that the estimate of $757,000 understates the true average cost of constructing an affordable unit in Santa Barbara, this analysis may underestimate the fee that could be supported based on the nexus analysis.

Table 19: LIHTC Completed Project Sample for Construction Cost

Project Name City Tax Credit Type Application Year	Awarded?	Target Pop.	Units	Development Costs Category	Project	Project - Adjusted	Per Unit
College Community Courts (24-467)	Yes	**Large Family**	**57**	**Total**	**$42,275,756**	**$43,778,252**	**$768,040**
Ventura				Acquisition	$640,426	$663,187	$11,635
4%				Hard Costs	$26,144,574	$27,073,762	$474,978
2024				Soft Costs	$15,490,756	$16,041,303	$281,426
Bella Vista (24-172)	Yes	**Large Family**	**48**	**Total**	**$51,044,489**	**$52,858,628**	**$1,101,221**
Santa Barbara				Acquisition	$6,227,000	$6,448,310	$134,340
9%				Hard Costs	$35,209,723	$36,461,089	$759,606
2024				Soft Costs	$9,607,766	$9,949,229	$207,276
Arroyo Terrace (24-017)	Yes	**Large Family**	**63**	**Total**	**$36,598,716**	**$37,899,447**	**$601,579**
Arroyo Grande				Acquisition	$3,318,000	$3,435,923	$54,538
9%				Hard Costs	$23,161,146	$23,984,301	$380,703
2024				Soft Costs	$10,119,570	$10,479,223	$166,337
Monterey Senior (24-018)	Yes	**Senior**	**55**	**Total**	**$37,575,544**	**$38,910,992**	**$707,473**
San Luis Obispo				Acquisition	$4,426,000	$4,583,302	$83,333
9%				Hard Costs	$22,400,096	$23,196,203	$421,749
2024				Soft Costs	$10,749,448	$11,131,487	$202,391
Buellton Garden Apartments (23-497)	Yes	**Large Family**	**89**	**Total**	**$61,889,914**	**$65,053,408**	**$730,937**
Buellton				Acquisition	$2,065,741	$2,171,331	$24,397
4%				Hard Costs	$41,624,035	$43,751,641	$491,591
2023				Soft Costs	$18,200,138	$19,130,435	$214,949
Patterson Point (23-667)	Yes	**Special Needs**	**24**	**Total**	**$18,836,671**	**$19,799,505**	**$824,979**
Goleta				Acquisition	$2,940,000	$3,090,278	$128,762
4%				Hard Costs	$9,430,151	$9,912,172	$413,007
2023				Soft Costs	$6,466,520	$6,797,055	$283,211
Cleaver & Clark (23-030)	Yes	**Large Family**	**53**	**Total**	**$40,971,733**	**$43,065,997**	**$812,566**
Grover Beach				Acquisition	$2,992,360	$3,145,314	$59,346
9%				Hard Costs	$25,110,015	$26,393,510	$497,991
2023				Soft Costs	$12,869,358	$13,527,173	$255,230
Martha Garden Apartments (23-56)	Yes	**Special Needs**	**40**	**Total**	**$19,706,740**	**$20,714,047**	**$517,851**
San Luis Obispo				Acquisition	$3,438,000	$3,613,733	$90,343
9%				Hard Costs	$10,062,485	$10,576,827	$264,421
2023				Soft Costs	$6,206,255	$6,523,487	$163,087
Bridge Street Family Apartments (23-55)	Yes	**Large Family**	**31**	**Total**	**$25,001,889**	**$26,279,857**	**$847,737**
San Luis Obispo				Acquisition	$2,700,000	$2,838,010	$91,549
9%				Hard Costs	$13,653,889	$14,351,805	$462,961
2023				Soft Costs	$8,648,000	$9,090,041	$293,227
Village Senior Apartments (23-119)	Yes	**Special Needs**	**50**	**Total**	**$35,886,254**	**$37,720,575**	**$754,411**
Special Needs				Acquisition	$3,155,101	$3,316,374	$66,327
9%				Hard Costs	$20,930,000	$21,999,834	$439,997
2023				Soft Costs	$11,801,153	$12,404,367	$248,087
Weighted Avg				**Total (Adjusted)**			**$757,021**

Source: BAE, 2025.

Financial Feasibility Methodology

Financial feasibility was determined via the preparation of static pro-forma models for each development prototype, included in Appendix C.

Residual Land Value

The pro-formas calculate the Residual Land Value (RLV) for each development prototype. The RLV represents how much the developer can afford to pay for land after accounting for development costs (hard and soft) and developer profit. RLV is equal to the market value of the completed project net of total development costs and developer profit.

Residual Land Value Calculation Formula
Value of Completed Project – Total Development Cost – Developer Profit

- The value of a completed ownership project is the total revenue from unit sales minus the marketing costs.
- The value of a completed rental project is the annual sum of the collected monthly rents minus the vacancy rate and operating costs (the net operating income), divided by the capitalization ("cap") rate. The cap rate is a common metric used to estimate the value of a property based on its Net Operating Income (NOI), and varies based on property type, location, and other property-specific characteristics.
- Total development costs include both hard costs and soft costs.

Example Calculation: Prototype I: Ownership Townhome RLV
Value of Completed Project – Total Development Cost – Developer Profit
Value of Completed Project = Total Revenue – Marketing Costs
Total Revenue = $5,054,014
Marketing Costs = 5% Total Revenue (5% x $5,054,014 = $252,701)
$5,054,014 – $252,701 = $4,801,313
Total Development Cost = Hard Costs + Soft Costs
Hard Costs = $2,981,765
Soft Costs = $561,385
$2,981,765 + $561,385 = $3,543,150
Developer Profit = 15% Total Development Cost (15% x $3,543,150 = $531,472)
$4,801,313 – $3,543,150 – $531,472 = $726,692

Example Calculation: Prototype III: Rental Townhome RLV
Value of Completed Project – Total Development Cost – Developer Profit
Value of Completed Project = (Annual Rents Collected – Vacancy – Operating Costs) / Capitalization Rate
Annual Rents Collected = $272,418
Vacancy = 5% Annual Rents (5% x $272,418 = $13,621)

Operating Costs = 30% Annual Rents (30% x $272,418 = $81,725)
Capitalization Rate = 4.87%
($272,418 – $13,621 – $81,725) / 4.87% = $3,635,969
Total Development Cost = Hard Costs + Soft Costs
Hard Costs = $2,462,500
Soft Costs = $499,650
$2,462,500 + $499,650 = $2,962,150
Developer Profit = 10% Total Development Cost (10% x $2,962,150 = $296,215)
$3,635,969 – $2,962,150 – $296,215 = $377,604

Financial Feasibility Thresholds

Determination of financial feasibility for the development prototypes depend on comparable land values. Land valuation assumptions are based on recent sales in the City of Santa Barbara, as well as conversations with local developers.

Prototypes are considered financially feasible if they achieve the following RLV thresholds:

- RLV of $125.00 per site square foot ($125/sf) for projects in the Medium-High Density and High Density areas, which allows for densities up to 27 du/acre and 36 du/acre, respectively.
- RLV of $150.00 per site square foot ($150/sf) for projects in the Priority Housing Overlay, which allows for densities up to 63 du/acre.
- Prototypes achieving an RLV of between $125 and $150/sf in the Priority Housing Overlay are considered marginally feasible. These marginally feasible prototypes *could* be made feasible under more favorable conditions, such as a discounted land value or participation with a longer term property owner.

Table 20: Comparable Land Sales, Santa Barbara

Address	City	Ac.	Sq. Ft.	Sale Year	Sale Price	Price per Acre	Price psf
428 Anacapa St	Santa Barbara	0.15	6,534	2023	$1,500,000	$10,000,000	$229.57
102 W De La Guerra St	Santa Barbara	0.59	25,700	2023	$4,578,750	$7,760,593	$178.16
117 E Ortega St	Santa Barbara	1.06	46,174	2023	$7,815,600	$7,373,208	$169.27
1317 Punta Gorda St	Santa Barbara	0.55	23,958	2022	$3,850,000	$7,000,000	$160.70
Camino Pescadero	Unincorporated	0.82	35,719	2023	$3,950,000	$4,817,073	$110.58
105 San Angelo Ave	Unincorporated	1.30	56,628	2024	$3,070,000	$2,361,538	$54.21
4085 State St	Unincorporated	1.71	74,488	2023	$3,025,000	$1,769,006	$40.61
					Avg.	**$5,868,774**	**$134.73**

Note: Includes land sales since 2023, including those with proposed multifamily use, or location near downtown Santa Barbara.
Source: CoStar, 2025; Santa Barbara County Assessor, 2024; BAE, 2025

APPENDIX B: INPUT FROM PRACTITIONERS

BAE conducted a series of one-on-one interviews with nine professionals in the Santa Barbara development community to help inform this Study. The interviews included members from the private sector as well as non-profit and affordable housing providers including the Housing Authority of the City of Santa Barbara. The interviews focused on collecting detailed assumptions for the financial feasibility analysis, as well as soliciting general feedback on the impact that changes to the City's Existing Program might have on development feasibility in Santa Barbara.

Accordingly, BAE sought information related to inputs for pro-formas including construction costs (hard and soft), developer profit thresholds, operating expenses, capitalization rates, land values, and other financial assumptions.

The interviews also helped inform the development prototypes, including factors such as optimal unit size and mix, parking ratios, amenities, and other factors. To this end, local practitioners also provided information on development programs and design features for numerous conceptual, planned, and completed residential projects, which also informed the prototypes.

As requested by City Staff, BAE also solicited more specific information where applicable, including the cost of design solutions related to Tier 4 stormwater mitigation regulations, the impact of affordability covenant length (e.g., 55 versus 90 years) on development strategies, and projected costs associated with the adaptive reuse of commercial buildings.

Financial Feasibility of Residential Development

Many interviewees noted that financial feasibility remains a significant challenge for new residential development in the City of Santa Barbara.

Contributing factors include persistently high interest rates that have made the cost of borrowing higher than in previous development cycles. Banks have also tightened their lending criteria, making it more difficult for developers to secure financing. Some developers noted that the lack of financing has indeed paused some residential projects in the City's residential pipeline, requiring applicants to pursue extensions for their entitlements.

Practitioners also noted significant increases in construction costs, due to factors such as construction labor shortages, materials costs and the potential effect of tariffs. For the residential projects that are moving forward, developers noted that there are often unique factors at play. A forthcoming residential development comprised of "microunits," for example, is only financially feasible due to the cross-subsidy of a more lucrative commercial component (e.g., storage space).

Site Availability

Practitioners reported that obtaining suitable development sites can also represent a key obstacle to producing new housing in Santa Barbara. Santa Barbara is mostly built out with few vacant sites, which means that developers often must purchase property with an existing income-generating use in order to pursue redevelopment. Property owners can be unwilling to sell an income-producing property to make the site available for redevelopment, and due to small lot sizes, many projects also require combining multiple lots to make development feasible. Stakeholders cited challenges in obtaining sites as a barrier to feasibility, particularly for projects along State Street.

Experience with Existing Inclusionary Program

While the City's Inclusionary Program for rental units has been in effect since 2019, some practitioners noted that they have not yet been subject to the Program, as their applications were submitted prior to ordinance implementation. As such, some local developers still do not have direct experience working with City staff to prepare and submit the required Affordable Housing Plans and related marketing materials.

Onsite Unit versus Fee Options

Nearly all practitioners indicated that if given the choice, they would prefer to pay an in-lieu fee rather than provide onsite affordable units under current requirements.

It should be noted that **even if the in-lieu fee rates were raised** to equal the net cost of providing onsite affordable units as required under the Existing Program, most practitioners' preference would be to "fee out" by paying an in-lieu fee and not providing onsite units. Explanations included factors such as the additional paperwork involved in executing the covenant, perceived difficulty in finding qualified applicants at the appropriate income level, and the inability to capture market rents over the covenant period. Over the long-term, property owners are also required to file reports with the City annually and upon each change in occupancy to ensure compliance with the affordability conditions.

Given the strong preference for paying an in-lieu fee versus providing onsite units, the City may wish to ensure that any updated fee rates are appropriately calibrated to meet City goals.

Affordability Covenant Lengths

Santa Barbara requires a 90-year affordability term for inclusionary units. These affordability terms are longer than those required by the State of California, which generally requires 55-year affordability covenants for projects built pursuant to the State Density Bonus Law.

Most development practitioners indicated that covenant length differences **on their own** are not likely to influence development decisions, especially when compared to the many incentives offered by the State. If incentives granted under AUD Program and/or a local density bonus program were to match those already granted by the State, the City could face a

situation in which covenant length played more of a role in developer decisions. However, this is not currently the case.

AUD Program

Generally speaking, applicants reported taking advantage of the maximum unit size to which they are entitled under the AUD Program. More broadly, some stakeholders noted that the AUD Program has essentially implemented a "cap" on net rentable residential floor-area-ratio (FAR) by regulating the maximum average unit size. However, due to the fact that non-leasable floor area (e.g. amenity space) does not count towards maximum building area, this can have the unintended consequence of layouts that are not as efficient, with comparatively high building-wide "circulation factors."

Parking Requirements

Many interviewees expressed that they generally aim to provide one parking space per unit for residential projects, even if allowed to provide less. Others reported having undertaken projects with fewer than one space per unit and expressed a continued interest in lower parking ratios. Developers in Santa Barbara have generally avoided building underground parking due to the high cost of underground construction and issues with water tables, and some have used parking lifts to expand the amount of parking available in at-grade garages.

Storm Water Management Program - Tier 4 Requirements

Most new residential projects within the City of Santa Barbara must comply with the City's Storm Water Management Program (SWMP). New residential projects are required to incorporate permanent storm water protection best management practices (BMPs), which are based on the quantity of "new or replaced" impervious surface.

Of particular note to this Study, "Tier 4" storm water regulations apply to impervious surface areas of 15,000 sf or more, and would *likely* apply to Prototypes V, SDBL-I, and SDBL-II. Given the high lot coverage of these prototypes, design solutions to comply with Tier 4 almost certainly require utilizing cisterns, large above ground rain barrels, and/or underground storage tanks.

Practitioners noted that permeable pavement, which is a less expensive BMP compared to underground storage tanks, is not always an option. Soil engineers, for example, often disallow permeable pavement treatments near the base of a building as they can accumulate moisture near the foundation. Practitioners noted that Tier 4 design solutions such as underground cisterns can add significant cost, impacting financial feasibility, for example, between $250,000 and $1 million in hard costs to the residential project. The updated regulations, which went into effect on March 1, 2021, apply to all projects, regardless of whether they require a discretionary permit.

Potential for Condominium Development

Condominium development is less incentivized when compared to multi-unit rental development, due in part to lower allowable densities when compared to AUD Rental projects in the Priority Housing Overlay. Some stakeholders expressed an interest in condominium development if the standards were changed to allow condominium densities more similar to the allowable densities for rental developments in the Priority Housing Overlay. Stakeholders stated that condominiums can be attractive to a developer in part because the developer can build the units and sell them relatively quickly, whereas rental developments tend to require a longer holding period. Some stakeholders see condominiums as potential starter homes in Santa Barbara's expensive for-sale market, though some expressed skepticism that even condominiums would be truly affordable.

State Density Bonus Law versus AUD Program

Nearly all interviewees indicated that State Density Bonus Law incentives are comparatively more attractive to pursue than development within the AUD Program and/or the City's Local Density Bonus Program. State law requires local governments to grant "waivers" or reductions of development standards that would "physically preclude the construction of a development" at the densities or with the concessions/incentives permitted. Unlike incentives, waivers are not limited in number and are not tied to an implied showing of cost reduction. As such, many practitioners indicated that their projects would not be able to be realized without the utilization of these waivers.

Experience with Local Density Bonus Ordinance

Comparatively few practitioners interviewed were familiar with the City's Local Density Bonus Program. Those that were familiar agreed that the local program is not currently competitive with the Statewide program, due in large part to the broad availability of waivers allowed by the State. As long as the ability to request such waivers is in place, one applicant reported it was "hard to imagine" using the existing Local Density Bonus Ordinance.

APPENDIX C: RESIDENTIAL PRO-FORMAS

This appendix provides the detailed pro-formas for residential development prototypes used in the Inclusionary Housing and In-Lieu Fee Study based on the Existing Program. This appendix also includes a description of the key assumptions used in the residential pro-formas.

Key Assumptions

BAE developed the various modeling inputs and assumptions needed for the financial feasibility analysis based on interviews with residential developers who are active in the local area, data from industry publications and databases, experience with recent development projects in the local area, and other research. Developers vary somewhat in the categorization of various project costs, and therefore may show different cost figures for individual cost items even for projects with similar overall development costs. Any variation in the specific cost items described below would not affect the findings of this analysis provided that the total development costs for the prototype projects are consistent with total development costs for similar projects.

Hard Costs: Hard costs are all costs associated with the physical construction of a building, including all construction materials and labor (non-prevailing wage). This analysis uses a hard cost assumption of $425.00 per gross foot of residential and non-residential space for the rental prototypes, and $500.00 per gross square foot of residential space for the ownership prototypes.

For Prototype V, Prototype SDBL-I, and Prototype SDBL-II requiring Tier 4 storm water mitigation measures due to larger impervious surface areas, a cost premium (additional $17/sf gross building area) is applied based on feedback from local developers.

Parking is included as a separate cost item in order to estimate the specific cost of building parking in these projects. Based on stakeholder interviews, estimated cost for a podium parking space is approximately $40,000 per space.

Soft Costs: Soft costs may include design, legal, permitting and developer fees. This analysis assumes that soft costs are equal to approximately 15 percent of hard costs, as corroborated during interviews with local developers as well as BAE research. This soft cost estimate includes engineering, architecture, financing, and City fees for planning, permitting, and entitlements, but does not include the cost of inclusionary in-lieu fees, which are included as a separate line item in the pro-formas.

Affordable Residential Rents: The affordable rental rates used in this analysis are based on income limits for households at each income level, as published by the City of Santa

Barbara in April of each year, assuming an affordable rent equal to 30 percent of the total household income. Additional information on Affordable Rents can be found in Appendix A.

Market-Rate Residential Rents: Market-Rate rents used in this Study are based on Q1 2025 data from CoStar for newly-constructed (2017-2025) multiunit residential properties. The dataset includes approximately 387 units in 12 buildings. Price per square foot values were used to calculate market-rate rents based on prototype unit sizes for each residential pro-forma.

Market-Rate Residential Sale Prices: This analysis assumes that sale prices for market-rate units will average approximately $1,100.00 per net residential square foot for condominiums. This assumption is based on information provided by data from Redfin for sale prices among recently-sold condominiums in Santa Barbara.

Affordable Residential Sale Prices: The affordable sale prices used in this analysis are based on 2025 figures published by the City of Santa Barbara. Additional information on Affordable Residential Sales Prices can be found in Appendix A.

Residential Rental Operating Expenses: This analysis assumes an estimate of 30 percent of gross revenues per year for all residential rental units.

Developer Profit: Real estate development has higher risk compared to many other types of investment activity, so developers tend to seek higher profit threshold on real estate projects than other investment options as a requirement for deciding whether to pursue a project. As corroborated during interviews with local developers, this study assumes a 10 percent profit threshold (expressed as a percentage of total hard and soft costs) for rental prototypes, and a 15 percent profit threshold for ownership prototypes.

Figure 4: Financial Feasibility under Existing Program, Prototype I: Ownership Townhome Prototype

Development Program Assumptions		
Site Size (acres)		0.21
Site Size (sf)		9,000
Total Dwelling Units		**4**
Avg. Unit Size (net, sf)		1,131
Gross Building Area (sf)		5,324
Net (% of gross res. area)		85%
Net (sf)		4,525
Total Parking Spaces		0
Podium Spaces		8
Tuck-Under Spaces		0
Parking Ratio (spaces per dwelling unit)		2.00
Unit Mix	%	#
One-Bedroom	0%	0
Two-Bedrooms	100%	4
Three-Bedrooms	0%	0
Affordability Share		
Market	100%	4 (a)
Middle/Upper Middle	0%	0
Affordable Breakdown	**Aff**	**Market**
One-Bedroom	0	0
Two-Bedrooms	0	4
Three-Bedrooms	0	0
Total	0	4

Cost and Income Assumptions		
Development Costs		
Construction Hard Costs		
Residential, per sf (includes Site Prep)	$500.00	(b)
Podium Parking, per space	$40,000	
Soft Costs (as a % of hard costs)	15%	(c)
School Fee (per sf residential)	$3.79	(d)
Market Rate Sales Prices		(e)
Market-Rate 1 BR	$830,000	
Market-Rate 2 BR	$1,263,504	
Market Rate 3 BR	$1,395,000	
Middle-Income Sales Prices		(f)
Middle Income 1 BR	$355,700	
Midldle Income 2 BR	$444,600	
Middle Income 3 BR	$503,800	
Marketing and Sales Costs	5%	
(% of Sale Price)		
Developer Profit	15%	
(as % of total hard and soft costs)		

Development Cost Analysis		
Hard Costs		
Residential	$2,661,765	
Podium Parking	$320,000	
Underground Parking	$0	
Total Hard Costs	**$2,981,765**	
Hard Costs per Unit	*$745,441*	
Hard Costs per Gross Building sf	*$560*	
Soft costs	$447,265	
School Fee	$17,150	
In-Lieu Fee	$96,971	(g)
Total Soft Costs	**$561,385**	
Developer Profit	**$531,472**	
Total Development Costs (Excl. Land)	**$4,074,622**	
Cost per residential sf	*$765*	
Cost per residential unit	*$1,018,656*	

Valuation Analysis	
Projected Revenue	
Gross Sales from Market Rate Units	$5,054,014
Sales from Moderate 1 BRs	$0
Sales from Moderate 2 BRs	$0
Sales from Moderate 3 BRs	$0
Total Gross Revenue	$5,054,014
Less Marketing Costs	($252,701)
Less Total Development Costs	**($4,074,622)**
Residual Land Value (RLV)	*$726,692*
RLV per Site sf	***$81***
Feasibility Threshold per Site sf	*$125*
Financially Feasible?	***No***

Notes:
(a) Per Santa Barbara Municipal Code Chapter 30.160, ownership projects with less than ten units pay an In-Lieu Fee.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assumes Tier 3 Stormwater Requirements.
(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(d) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(e) Based on sales of recently-sold (previous 12 months) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.
(f) Per published 2025 Maximum Sales Prices by Bedroom Count for "Middle" Income (120-160% AMI), City of Santa Barbara
(g) Per Santa Barbara Municipal Code Section 30.160.030, Developments of Less Than Ten Units But More Than One Unit –Payment of an In-Lieu Fee.
In-Lieu Fee shall equal 5% of the In-Lieu Fee specified by Subsection 30.160.070.B, Calculation of In-Lieu Fee, multiplied by the number of units less one unit
Equals $1,129,750 x 0.85 - $152,200 = $808,087 x 0.8 x 0.05 x 3
Source: BAE, 2025.

Figure 5: Financial Feasibility, Prototype I with Recommended Small Project In-Lieu Fee $35.00/sf

Development Program Assumptions		
Site Size (acres)		0.21
Site Size (sf)		9,000
Total Dwelling Units		**4**
Avg. Unit Size (net, sf)		1,131
Gross Building Area (sf)		5,324
Net (% of gross res. area)		85%
Net (sf)		4,525
Total Parking Spaces		0
Podium Spaces		8
Parking Ratio (spaces per dwelling unit)		2.00
Unit Mix	%	#
One-Bedroom	0%	0
Two-Bedrooms	100%	4
Three-Bedrooms	0%	0
Affordability Share		
Market	100%	4 (a)
Middle/Upper Middle	0%	0
Affordable Breakdown	**Aff**	**Market**
One-Bedroom	0	0
Two-Bedrooms	0	4
Three-Bedrooms	0	0
Total	0	4

Cost and Income Assumptions		
Development Costs		
Construction Hard Costs		
Residential, per sf (includes Site Prep)	$500.00	(b)
Podium Parking, per space	$40,000	
Soft Costs (as a % of hard costs)	15%	(c)
School Fee (per sf residential)	$3.79	(d)
In-Lieu Fee	$35.00	
Market Rate Sales Prices		(e)
Market-Rate 1 BR	$830,000	
Market-Rate 2 BR	$1,263,504	
Market Rate 3 BR	$1,395,000	
Middle-Income Sales Prices		(f)
Middle Income 1 BR	$355,700	
Midlle Income 2 BR	$444,600	
Middle Income 3 BR	$503,800	
Marketing and Sales Costs	5%	
(% of Sale Price)		
Developer Profit	15%	
(as % of total hard and soft costs)		

Development Cost Analysis		
Hard Costs		
Residential	$2,661,765	
Podium Parking	$320,000	
Total Hard Costs	**$2,981,765**	
Hard Costs per Unit	*$745,441*	
Hard Costs per Gross Building sf	*$560*	
Soft costs	$447,265	
School Fee	$17,150	
In-Lieu Fee	$158,375	(g)
Total Soft Costs	**$622,789**	
Developer Profit	**$540,683**	
Total Development Costs (Excl. Land)	**$4,145,237**	
Cost per residential sf	*$779*	
Cost per residential unit	*$1,036,309*	

Valuation Analysis	
Projected Revenue	
Gross Sales from Market Rate Units	$5,054,014
Sales from Moderate 1 BRs	$0
Sales from Moderate 2 BRs	$0
Sales from Moderate 3 BRs	$0
Total Gross Revenue	$5,054,014
Less Marketing Costs	($252,701)
Less Total Development Costs	**($4,145,237)**
Residual Land Value (RLV)	*$656,076*
RLV per Site sf	***$73***
Feasibility Threshold per Site sf	*$125*
Financially Feasible?	***No***
RLV Existing	***$81***

Notes:
(a) Per Santa Barbara Municipal Code Chapter 30.160, ownership projects with less than ten units pay an In-Lieu Fee.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assumes Tier 3 Stormwater Requirements.
(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(d) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(e) Based on sales of recently-sold (previous 12 months) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.
(f) Per published 2025 Maximum Sales Prices by Bedroom Count for "Middle" Income (120-160% AMI), City of Santa Barbara.
(g) Based on recommended in-lieu fee calculation method and in-lieu fee rate. Calculation = 0.5 divided by 0.5 x $35 x 4,525 sf
Source: BAE, 2025

Figure 6: Financial Feasibility under Existing Program, Prototype II: Ownership Condominium Prototype

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Total "Base" Units		**13**
Total Dwelling Units		**15** (a)
Avg. Unit Size (net, sf)		970
Gross Building Area (sf)		18,188
Net (% of gross res. area)		80%
Net (sf)		14,550
Total Parking Spaces		24
Podium Spaces		24
Tuck-Under Spaces		0
Parking Ratio (spaces per dwelling unit)		1.60
Unit Mix	%	#
One-Bedroom	0%	0
Two-Bedrooms	100%	15
Three-Bedrooms	0%	0
Affordability Share		
Middle/Upper Middle	15%	1.95 (b)
Middle/Upper Middle (adjusted)		2.0 (b)
Affordable Breakdown	**Aff**	**Market**
One-Bedroom	0.0	0.0
Two-Bedrooms	2.0	13.0
Three-Bedrooms	0.0	0.0
Total	2.0	13.0

Cost and Income Assumptions		
Development Costs		
Construction Hard Costs		
Residential, per sf	$500.00	(c)
Podium Parking, per space	$40,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fee (per sf residential)	$3.79	(e)
Market Rate Sales Prices		(f)
Market-Rate 1 BR	n/a	
Market-Rate 2 BR	$1,083,402	
Market Rate 3 BR	n/a	
Middle Income Sales Prices		(g)
Middle Income 1 BR	$355,700	
Midldle Income 2 BR	$444,600	
Middle Income 3 BR	$503,800	
Marketing and Sales Costs (% of Sale Price)	5%	
Developer Profit (as % of total hard and soft costs)	15%	

Development Cost Analysis	
Hard Costs	
Residential	$9,093,750
Podium Parking	$960,000
Underground Parking	$0
Total Hard Costs	**$10,053,750**
Hard Costs per Unit	*$670,250*
Hard Costs per Gross Building sf	*$553*
Soft costs	$1,508,063
School Fee	$68,931
In-Lieu Fee	n/a
Total Soft Costs	**$1,576,993**
Developer Profit	**$1,744,611**
Total Development Costs (Excl. Land)	**$13,375,355**
Cost per residential sf	*$735*
Cost per residential unit	*$891,690*

Valuation Analysis	
Projected Revenue	
Gross Sales from Market Rate Units	$14,084,226
Sales from Moderate 1 BRs	$0
Sales from Moderate 2 BRs	$889,200
Sales from Moderate 3 BRs	$0
Total Gross Revenue	$14,973,426
Less Marketing Costs	($748,671)
Less Total Development Costs	**($13,375,355)**
Residual Land Value (RLV)	*$849,400*
RLV per Site sf	***$57***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***

Notes:
(a) Includes the two required onsite units as "Bonus" density, as allowed for inclusionary ownership projects.
(b) Per Santa Barbara Municipal Code Chapter 30.160, ownership projects with 10+ units to include fifteen percent (15%) of the units be sold at prices affordable to Middle-Income households.
(b) In determining the number of Inclusionary Units required by Chapter 30.160, Inclusionary Housing, any decimal fraction of 0.5 or more shall be rounded up.
(c) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on sales of recently-sold (previous 12 month) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.
(g) Per published 2025 Maximum Sales Prices by Bedroom Count for "Middle" Income (120-160% AMI), City of Santa Barbara
Source: BAE, 2025.

Figure 7: Financial Feasibility, Ownership Prototype II: Recommended Option G1

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Total "Base" Units		**13**
Total Dwelling Units		**15** (a)
Avg. Unit Size (net, sf)		970
Gross Building Area (sf)		18,188
Net (% of gross res. area)		80%
Net (sf)		14,550
Total Parking Spaces		24
Podium Spaces		24
Tuck-Under Spaces		0
Parking Ratio (spaces per dwelling unit)		1.60
Unit Mix	%	#
One-Bedroom	0%	0
Two-Bedrooms	100%	15
Three-Bedrooms	0%	0
Affordability Share		
Middle/Upper Middle	15%	1.95 (b)
Middle/Upper Middle (adjusted)		1.0 (b)
Fractional Unit Required		0.95
Affordable Breakdown	**Aff**	**Market**
One-Bedroom	0.0	0.0
Two-Bedrooms	1.0	14.0
Three-Bedrooms	0.0	0.0
Total	1.0	14.0

Cost and Income Assumptions		
Development Costs		
Construction Hard Costs		
Residential, per sf	$500.00	(c)
Podium Parking, per space	$40,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fee (per sf residential)	$3.79	(e)
In-Lieu Fee	$50.00	
Market Rate Sales Prices		(f)
Market-Rate 1 BR	n/a	
Market-Rate 2 BR	$1,083,402	
Market Rate 3 BR	n/a	
Middle Income Sales Prices		(g)
Middle Income 1 BR	$355,700	
Midldle Income 2 BR	$444,600	
Middle Income 3 BR	$503,800	
Marketing and Sales Costs	5%	
(% of Sale Price)		
Developer Profit	15%	
(as % of total hard and soft costs)		

Development Cost Analysis		
Hard Costs		
Residential	$9,093,750	
Podium Parking	$960,000	
Total Hard Costs	**$10,053,750**	
Hard Costs per Unit	*$670,250*	
Hard Costs per Gross Building sf	*$553*	
Soft costs	$1,508,063	
School Fee	$68,931	
In-Lieu Fee	$354,423	(h)
Total Soft Costs	**$1,931,416**	
Developer Profit	**$1,797,775**	
Total Development Costs (Excl. Land)	**$13,782,941**	
Cost per residential sf	*$758*	
Cost per residential unit	*$918,863*	
Projected Revenue		
Gross Sales from Market Rate Units	$15,167,628	
Sales from Middle-Income 1 BRs	$0	
Sales from Middle-Income 2 BRs	$444,600	
Sales from Middle-Income 3 BRs	$0	
Total Gross Revenue	$15,612,228	
Less Marketing Costs	($780,611)	
Less Total Development Costs	**($13,782,941)**	
Residual Land Value (RLV)	*$1,048,675*	
RLV per Site sf	***$70***	
Feasibility Threshold per Site sf	*$150*	
Financially Feasible?	***No***	
RLV Base	***$57***	

Notes:
(a) Includes the two required onsite units as "Bonus" density, as allowed for inclusionary ownership projects.
(b) Per SBMC Chapter 30.160, ownership projects with 10+ units to include fifteen percent (15%) of the units be sold at prices affordable to Middle-Income households.
(b) Hypothetical scenario testing ability to pay a fractional fee instead of current requirements to round up any decimal fraction of 0.5 or more.
(c) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on sales of recently-sold (previous 12 month) condominiums in City of Santa Barbara, adjusted on a price-per-square foot basis to match prototype.
(g) Per published 2025 Maximum Sales Prices by Bedroom Count for "Middle" Income (120-160% AMI), City of Santa Barbara.
(h) Per Santa Barbara Municipal Code Chapter 30.160, to calculate Fractional In-Lieu Fee, divide the amount of the remainder (0.95) by total number of Inclusionary Units required (1.95), multiplied by the recommended in-lieu fee rate of $50. Multiply result by net residential square feet.
Source: BAE, 2025.

Figure 8: Financial Feasibility under Existing Program, Prototype III: Rental Townhome Prototype

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		9,000
Total Dwelling Units		**5**
Commercial Space (sf, gross)		0
Gross Residential Area (sf)		5,324
Gross Building Area (exc. parking, sf)		5,324
Residential Circulation eff (%)		85%
Net Residential (sf)		4,525
Average Unit Size (net, sf)		905
Total Parking Spaces		0
Surface Spaces		0
Podium Spaces		5
Underground Spaces		0
Parking Ratio (spaces/du)		**1.00**
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	0%	0.0
Two-Bedrooms	80%	4.0
Three-Bedrooms	20%	1.0
Total	100%	**5.0**
Affordable Units	10%	0.50 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	0.0	0.0
Two-Bedrooms	0.0	4.0
Three-Bedrooms	0.0	1.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425	(b)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(c)
School Fee (per sf residential)	$3.79	(d)
In-Lieu Fee	$25.00	
Operating Revenues & Expenses		
Market Rate Studio, per Month	$3,539	(e)
Market Rate 1 BR, per Month	$3,771	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(f)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$2,262,500	
Commercial	$0	
Podium Parking	$200,000	
Underground Parking	$0	
Parking Stackers	$0	
Total Hard Costs	**$2,462,500**	
Hard Costs per Unit	*$492,500*	
Soft Costs	$369,375	
School Fee	$17,150	
In-Lieu Fee	$113,125	(g)
Total Soft Costs	**$499,650**	
Developer Profit	**$296,215**	
Total Development Costs (Excl. Land)	**$3,258,365**	
Cost per non parking sf	*$612*	
Cost per residential unit	*$651,673*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$272,418
Less: Vacancy	($13,621)
Less: Operating Expenses	($81,725)
Net Operating Income (NOI)	**$177,072**
Capitalized Project Value	$3,635,969
Less Total Development Costs	($3,258,365)
Residual Land Value (RLV)	*$377,604*
RLV per Site sf	***$42***
Feasibility Threshold per Site sf	*$125*
Financially Feasible?	***No***

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(d) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
(f) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(g) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the amount of the remainder by total number of Inclusionary Units required, multiplied by the current in-lieu fee rate of $25. Multiply result by net residential square feet. Calculation = 0.5 divided by 0.5 x $25 x 4,525 sf
Source: BAE, 2025.

Figure 9: Financial Feasibility, Rental Prototype III: Recommended Small Project In-Lieu Fee $35.00/sf

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		9,000
Total Dwelling Units		**5**
Commercial Space (sf, gross)		0
Gross Residential Area (sf)		5,324
Gross Building Area (exc. parking, sf)		5,324
Residential Circulation eff (%)		85%
Net Residential (sf)		4,525
Average Unit Size (net, sf)		905
Total Parking Spaces		0
Surface Spaces		0
Podium Spaces		5
Underground Spaces		0
Parking Ratio (spaces/du)		**1.00**
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	0%	0.0
Two-Bedrooms	80%	4.0
Three-Bedrooms	20%	1.0
Total	100%	**5.0**
Affordable Units	10%	0.50 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	0.0	0.0
Two-Bedrooms	0.0	4.0
Three-Bedrooms	0.0	1.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425	(b)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(c)
School Fee (per sf residential)	$3.79	(d)
In-Lieu Fee	$35.00	
Operating Revenues & Expenses		
Market Rate Studio, per Month	$3,539	(e)
Market Rate 1 BR, per Month	$3,771	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(f)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$2,262,500	
Commercial	$0	
Podium Parking	$200,000	
Underground Parking	$0	
Parking Stackers	$0	
Total Hard Costs	**$2,462,500**	
Hard Costs per Unit	*$492,500*	
Soft Costs	$369,375	
School Fee	$17,150	
In-Lieu Fee	$158,375	(g)
Total Soft Costs	**$544,900**	
Developer Profit	**$300,740**	
Total Development Costs (Excl. Land)	**$3,308,140**	
Cost per non parking sf	*$621*	
Cost per residential unit	*$661,628*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$272,418
Less: Vacancy	($13,621)
Less: Operating Expenses	($81,725)
Net Operating Income (NOI)	**$177,072**
Capitalized Project Value	$3,635,969
Less Total Development Costs	($3,308,140)
Residual Land Value (RLV)	*$327,829*
RLV per Site sf	***$36***
Feasibility Threshold per Site sf	*$125*
Financially Feasible?	***No***
RLV Existing Fee	***$42***

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(d) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate is weighted based on unit mix in the prototype.
(f) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(g) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the amount of the remainder by total number of Inclusionary Units required, multiplied by the recommended in-lieu fee rate of $35. Multiply result by net residential square feet. Calculation = 0.5 divided by 0.5 x $35 x 4,525 sf
Source: BAE, 2025.

Figure 10: Financial Feasibility under Existing Program, Prototype IV: Rental Mixed-Use Prototype

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Total Dwelling Units		**20**
Commercial Space (sf, gross)		1,096
Gross Residential Area (sf)		19,082
GBA (excluding parking, sf)		20,178
Residential Circulation eff (%)		85%
Net Residential (sf)		16,220
Average Unit Size (net, sf)		811
Total Parking Spaces		24
Surface Spaces		0
Podium Spaces		24
Underground Spaces		0
Parking Ratio (spaces/du)		**1.20**
Garage Size (sf)		10,362
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	5.0
Two-Bedrooms	75%	15.0
Three-Bedrooms	0%	0.0
Total	100%	**20.0**
Affordable Units	10%	2.0 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	4.0
Two-Bedrooms	1.0	14.0
Three-Bedrooms	0.0	0.0
Total	2.0	18.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425.00	(b)
Commercial Hard Costs, per sf	$425	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		(f)
Market Rate Studio, per Month	$3,539	
Market Rate 1 BR, per Month	$3,657	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$8,110,000
Commercial	$465,795
Podium Parking	$960,000
Underground Parking	$0
Total Hard Costs	**$9,535,795**
Hard Costs per Unit	*$476,790*
Soft Costs	$1,430,369
School Fee	$73,177
Total Soft Costs	**$1,503,546**
Developer Profit	**$1,103,934**
Total Development Costs (Excl. Land)	**$12,143,275**
Cost per non parking sf	*$602*
Cost per residential unit	*$607,164*

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$1,019,160
Less: Vacancy	($50,958)
Less: Operating Expenses	($305,748)
Net Operating Income (NOI)	**$662,454**
Capitalized Project Value	$13,602,754
Less Total Development Costs	($12,143,275)
Residual Land Value (RLV)	**$1,459,480**
RLV per Site sf	***$97***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
Source: BAE, 2025.

Figure 11: Financial Feasibility, Rental Prototype IV: Hypothetical 15% Moderate-Income Requirement

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Total Dwelling Units		**20**
Commercial Space (sf, gross)		1,096
Gross Residential Area (sf)		19,082
GBA (excluding parking, sf)		20,178
Residential Circulation eff (%)		85%
Net Residential (sf)		16,220
Average Unit Size (net, sf)		811
Total Parking Spaces		24
Surface Spaces		0
Podium Spaces		24
Underground Spaces		0
Parking Ratio (spaces/du)		**1.20**
Garage Size (sf)		10,362
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	5.0
Two-Bedrooms	75%	15.0
Three-Bedrooms	0%	0.0
Total	100%	**20.0**
Affordable Units	15%	3.0 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	4.0
Two-Bedrooms	2.0	13.0
Three-Bedrooms	0.0	0.0
Total	3.0	17.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425.00	(b)
Commercial Hard Costs, per sf	$425	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		(f)
Market Rate Studio, per Month	$3,539	
Market Rate 1 BR, per Month	$3,657	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$8,110,000
Commercial	$465,795
Podium Parking	$960,000
Total Hard Costs	**$9,535,795**
Hard Costs per Unit	*$476,790*
Soft Costs	$1,430,369
School Fee	$73,177
Total Soft Costs	**$1,503,546**
Developer Profit	**$1,103,934**
Total Development Costs (Excl. Land)	**$12,143,275**
Cost per non parking sf	*$602*
Cost per residential unit	*$607,164*

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$994,167
Less: Vacancy	($49,708)
Less: Operating Expenses	($298,250)
Net Operating Income (NOI)	**$646,209**
Capitalized Project Value	$13,269,172
Less Total Development Costs	($12,143,275)
Residual Land Value (RLV)	**$1,125,898**
RLV per Site sf	***$75***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf - 10% Requirement	$97

Notes:
(a) Hypothetical inclusionary recommendation to change the minimum percent of required inclusionary housing.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
Source: BAE, 2025.

Figure 12: Financial Feasibility, Rental Prototype IV: Recommendation F (Count Rental Inclusionary as Bonus)

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Base Units		**20**
Commercial Space (sf, gross)		1,096
Gross Residential Area (sf)		19,082
GBA (excluding parking, sf)		20,178
Residential Circulation eff (%)		85%
Net Residential (sf)		16,220
Average Unit Size (net, sf)		737
Affordable Units	10%	2.0 (a)
Total Dwelling Units		**22**
Total Parking Spaces		24
Surface Spaces		0
Podium Spaces		24
Underground Spaces		0
Parking Ratio (spaces/du)		**1.20**
Garage Size (sf)		10,362
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	32%	7.0
Two-Bedrooms	68%	15.0
Three-Bedrooms	0%	0.0
Total	100%	**22.0**
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	6.0
Two-Bedrooms	1.0	14.0
Three-Bedrooms	0.0	0.0
Total	2.0	20.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425	(b)
Commercial Hard Costs, per sf	$425	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		(f)
Market Rate Studio, per Month	$3,370	
Market Rate 1 BR, per Month	$3,629	
Market Rate 2 BR, per Month	$4,120	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$8,110,000
Commercial	$465,795
Podium Parking	$960,000
Total Hard Costs	**$9,535,795**
Hard Costs per Unit	*$476,790*
Soft Costs	$1,430,369
School Fee	$73,177
Total Soft Costs	**$1,503,546**
Developer Profit	**$1,103,934**
Total Development Costs (Excl. Land)	**$12,143,275**
Cost per non parking sf	*$602*
Cost per residential unit	*$607,164*
Projected Revenue	
Gross Annual Income	$1,048,653
Less: Vacancy	($52,433)
Less: Operating Expenses	($314,596)
Net Operating Income (NOI)	**$681,624**
Capitalized Project Value	$13,996,390
Less Total Development Costs	($12,143,275)
Residual Land Value (RLV)	**$1,853,115**
RLV per Site sf	***$124***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf Existing	$97

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
Source: BAE, 2025.

Figure 13: Financial Feasibility, Rental Prototype IV: 10% Moderate-Income w/ Recommended Target 110% AMI

Development Program Assumptions		
Site Size (acres)		0.34
Site Size (sf)		15,000
Total Dwelling Units		**20**
Commercial Space (sf, gross)		1,096
Gross Residential Area (sf)		19,082
GBA (excluding parking, sf)		20,178
Residential Circulation eff (%)		85%
Net Residential (sf)		16,220
Average Unit Size (net, sf)		811
Total Parking Spaces		24
Surface Spaces		0
Podium Spaces		24
Underground Spaces		0
Parking Ratio (spaces/du)		**1.20**
Garage Size (sf)		10,362
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	5.0
Two-Bedrooms	75%	15.0
Three-Bedrooms	0%	0.0
Total	100%	**20.0**
Affordable Units	10%	2.0 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	4.0
Two-Bedrooms	1.0	14.0
Three-Bedrooms	0.0	0.0
Total	2.0	18.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$425	(b)
Commercial Hard Costs, per sf	$425	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		(f)
Market Rate Studio, per Month	$3,539	
Market Rate 1 BR, per Month	$3,657	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$2,085	
Moderate Income 1 BR, per Month	$2,359	
Moderate Income 2 BR, per Month	$2,627	
Moderate Income 3 BR, per Month	$2,874	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$8,110,000
Commercial	$465,795
Podium Parking	$960,000
Total Hard Costs	**$9,535,795**
Hard Costs per Unit	*$476,790*
Soft Costs	$1,430,369
School Fee	$73,177
Total Soft Costs	**$1,503,546**
Developer Profit	**$1,103,934**
Total Development Costs (Excl. Land)	**$12,143,275**
Cost per non parking sf	*$602*
Cost per residential unit	*$607,164*
Projected Revenue	
Gross Annual Income	$1,026,646
Less: Vacancy	($51,332)
Less: Operating Expenses	($307,994)
Net Operating Income (NOI)	**$667,320**
Capitalized Project Value	$13,702,661
Less Total Development Costs	($12,143,275)
Residual Land Value (RLV)	**$1,559,386**
RLV per Site sf	***$104***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf - AMI 100%	$97

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 110%, net Utilities.
Source: BAE, 2025.

Figure 14: Financial Feasibility under Existing Program, Prototype V: Rental Mixed-Use Large Prototype

Development Program Assumptions		
Site Size (acres)		0.69
Site Size (sf)		30,000
Total Dwelling Units		**43**
Commercial Space (sf, gross)		1,869
Gross Residential Area (sf)		41,027
GBA (excluding parking, sf)		42,896
Residential Circulation eff (%)		85%
Net Residential (sf)		34,873
Average Unit Size (net, sf)		811
Total Parking Spaces		45
Surface Spaces		0
Podium Spaces		45
Underground Spaces		0
Parking Ratio (spaces/du)		**1.05**
Garage Size (sf)		19,096
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	11.0
Two-Bedrooms	75%	32.0
Three-Bedrooms	0%	0.0
Total	0%	**43.0**
Affordable Units	10%	4.30 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	10.0
Two-Bedrooms	3.0	29.0
Three-Bedrooms	0.0	0.0
Total	4.0	39.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$443	(b)
Commercial Hard Costs, per sf	$443	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		
Market Rate Studio, per Month	$3,303	(f)
Market Rate 1 BR, per Month	$3,686	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$18,186,500	
Commercial	$828,373	
Podium Parking	$1,800,000	
Underground Parking	$0	
Total Hard Costs	**$20,814,873**	
Hard Costs per Unit	*$484,067*	
Soft Costs	$3,122,231	
School Fees	$156,950	
Fractional Fee	$60,825	(h)
Total Soft Costs	**$3,340,006**	
Developer Profit	**$2,415,488**	
Total Development Costs (Excl. Land)	**$26,570,367**	
Cost per non parking sf	*$619*	
Cost per residential unit	*$617,916*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$2,174,890
Less: Vacancy	($108,744)
Less: Operating Expenses	($652,467)
Net Operating Income (NOI)	**$1,413,678**
Capitalized Project Value	$29,028,303
Less Total Development Costs	($26,570,367)
Residual Land Value (RLV)	**$2,457,937**
RLV per Site sf	***$82***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 4 Stormwater Requirements (additional $17/sf GBA for a $700,000 investment).
(c) Includes Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(h) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the amount of the remainder by total number of Inclusionary Units required, multiplied by the current in-lieu fee rate of $25. Multiply result by net residential square feet.
Source: BAE, 2025.

Figure 15: Financial Feasibility, Rental Prototype V: Recommended In-Lieu Fee $50.00/sf

Development Program Assumptions		
Site Size (acres)		0.69
Site Size (sf)		30,000
Total Dwelling Units		**43**
Commercial Space (sf, gross)		1,869
Gross Residential Area (sf)		41,027
GBA (excluding parking, sf)		42,896
Residential Circulation eff (%)		85%
Net Residential (sf)		34,873
Average Unit Size (net, sf)		811
Total Parking Spaces		45
Surface Spaces		0
Podium Spaces		45
Underground Spaces		0
Parking Ratio (spaces/du)		**1.05**
Garage Size (sf)		19,096
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	11.0
Two-Bedrooms	75%	32.0
Three-Bedrooms	0%	0.0
Total	0%	**43.0**
Affordable Units	10%	4.30 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	10.0
Two-Bedrooms	3.0	29.0
Three-Bedrooms	0.0	0.0
Total	4.0	39.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$443	(b)
Commercial Hard Costs, per sf	$443	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
In-Lieu Fee	$50.00	
Market-Rate Rental Prices		
Market Rate Studio, per Month	$3,303	(f)
Market Rate 1 BR, per Month	$3,686	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$18,186,500	
Commercial	$828,373	
Podium Parking	$1,800,000	
Total Hard Costs	**$20,814,873**	
Hard Costs per Unit	*$484,067*	
Soft Costs	$3,122,231	
Impact fees	$156,950	
Fractional Fee	$121,650	(h)
Total Soft Costs	**$3,400,831**	
Developer Profit	**$2,421,570**	
Total Development Costs (Excl. Land)	**$26,637,274**	
Cost per non parking sf	*$621*	
Cost per residential unit	*$619,471*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$2,174,890
Less: Vacancy	($108,744)
Less: Operating Expenses	($652,467)
Net Operating Income (NOI)	**$1,413,678**
Capitalized Project Value	$29,028,303
Less Total Development Costs	($26,637,274)
Residual Land Value (RLV)	**$2,391,029**
RLV per Site sf	***$80***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf - Existing Fee	*$82*

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 4 Stormwater Requirements (additional $17/sf GBA for a $700,000 investment).
(c) Includes Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(h) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the amount of the remainder (0.3) by total number of Inclusionary Units required (4.3), multiplied by the recommended in-lieu fee rate of $50. Multiply result by net residential square feet.
Source: BAE, 2025

Figure 16: Financial Feasibility, Rental Prototype V: Recommendation F (Count Rental Inclusionary as Bonus)

Development Program Assumptions		
Site Size (acres)		0.69
Site Size (sf)		30,000
BASE Dwelling Units		**43**
Commercial Space (sf, gross)		1,869
Gross Residential Area (sf)		41,027
GBA (excluding parking, sf)		42,896
Residential Circulation eff (%)		85%
Net Residential (sf)		34,873
Average Unit Size (net, sf)		742
Total Parking Spaces		45
Surface Spaces		0
Podium Spaces		45
Underground Spaces		0
Parking Ratio (spaces per dwelling unit)		**1.05**
Garage Size (sf)		19,096
Affordable Units	10%	4.30 (a)
Bonus Density (# units)		4
Total Dwelling Units		**47**
Unit Mix	**%**	**#**
Studio	9%	4.0
One-Bedroom	23%	11.0
Two-Bedrooms	68%	32.0
Three-Bedrooms	0%	0.0
Total	100%	**47.0**
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	4.0
One-Bedroom	1.0	10.0
Two-Bedrooms	3.0	29.0
Three-Bedrooms	0.0	0.0
Total	4.0	43.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$443	(b)
Commercial Hard Costs, per sf	$443	(b)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	**15%**	**(c)**
School Fees (per sf residential)	$3.79	(d)
School Fees (per sf commercial)	$0.78	(d)
Market-Rate Rental Prices		
Market Rate Studio, per Month	$3,303	(e)
Market Rate 1 BR, per Month	$3,912	
Market Rate 2 BR, per Month	$4,120	
Market Rate 3 BR, per Month	$4,883	
Moderate Income Studio, per Month	$1,604	(f)
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$18,174,987	
Commercial	$827,848	
Podium Parking	$1,800,000	
Total Hard Costs	**$20,802,835**	
Hard Costs per Unit	*$442,614*	
Soft Costs	$3,120,425	
School Fee	$156,950	
Fractional Fee	$60,825	(g)
Total Soft Costs	**$3,338,200**	
Developer Profit	**$2,414,104**	
Total Development Costs (Excl. Land)	**$26,555,139**	
Cost per non parking sf	*$619*	
Cost per residential unit	*$617,561*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$2,244,138
Less: Vacancy	($112,207)
Less: Operating Expenses	($673,241)
Net Operating Income (NOI)	**$1,458,689**
Capitalized Project Value	$29,952,555
Less Total Development Costs	($26,555,139)
Residual Land Value (RLV)	**$3,397,416**
RLV/acre	***$4,933,048***
RLV per Site sf	***$113***
RLV per site sf Existing	*$82*

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assuming Tier 4 Stormwater Requirements.
(b) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(C) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(d) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(e) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown weighted based on unit mix of prototype.
(f) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(g) Per Santa Barbara Municipal Code Section 30.150.120, for Fractional Fee, divide the amount of the remainder (0.3) by the total # Inclusionary Units required (4.3), multiplied by the current in-lieu fee rate of $25. Multiply result by net residential square feet.
Source: BAE, 2025.

Figure 17: Financial Feasibility, Rental Prototype V: 10% Moderate-Income w/ Recommended Target 110% AMI

Development Program Assumptions		
Site Size (acres)		0.69
Site Size (sf)		30,000
Total Dwelling Units		**43**
Commercial Space (sf, gross)		1,869
Gross Residential Area (sf)		41,027
GBA (excluding parking, sf)		42,896
Residential Circulation eff (%)		85%
Net Residential (sf)		34,873
Average Unit Size (net, sf)		811
Total Parking Spaces		45
Surface Spaces		0
Podium Spaces		45
Underground Spaces		0
Parking Ratio (spaces/du)		**1.05**
Garage Size (sf)		19,096
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	11.0
Two-Bedrooms	75%	32.0
Three-Bedrooms	0%	0.0
Total	0%	**43.0**
Affordable Units	10%	4.30 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	1.0	10.0
Two-Bedrooms	3.0	29.0
Three-Bedrooms	0.0	0.0
Total	4.0	39.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$443	(b)
Commercial Hard Costs, per sf	$443	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Market-Rate Rental Prices		
Market Rate Studio, per Month	$3,303	(f)
Market Rate 1 BR, per Month	$3,686	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$2,085	
Moderate Income 1 BR, per Month	$2,359	
Moderate Income 2 BR, per Month	$2,627	
Moderate Income 3 BR, per Month	$2,874	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis		
Hard Costs		
Residential	$18,186,500	
Commercial	$828,373	
Podium Parking	$1,800,000	
Total Hard Costs	**$20,814,873**	
Hard Costs per Unit	*$484,067*	
Soft Costs	$3,122,231	
Impact fees	$156,950	
Fractional Fee	$60,825	(h)
Total Soft Costs	**$3,340,006**	
Developer Profit	**$2,415,488**	
Total Development Costs (Excl. Land)	**$26,570,367**	
Cost per non parking sf	*$619*	
Cost per residential unit	*$617,916*	

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$2,188,499
Less: Vacancy	($109,425)
Less: Operating Expenses	($656,550)
Net Operating Income (NOI)	**$1,422,525**
Capitalized Project Value	$29,209,950
Less Total Development Costs	($26,570,367)
Residual Land Value (RLV)	**$2,639,583**
RLV per Site sf	***$88***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf - AMI 100%	*$82*

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Residential Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 3 Stormwater Requirements.
(c) Commercial Hard Costs include Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 110%, net Utilities.
(h) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the remainder (0.45) by total number of Inclusionary Units required (6.45), multiplied by the current in-lieu fee rate of $25. Multiply by net residential square feet.
Source: BAE, 2025

Figure 18: Financial Feasibility, Rental Prototype V: Hypothetical 15% Moderate-Income Requirement

Development Program Assumptions		
Site Size (acres)		0.69
Site Size (sf)		30,000
Total Dwelling Units		**43**
Commercial Space (sf, gross)		1,869
Gross Residential Area (sf)		41,027
GBA (excluding parking, sf)		42,896
Residential Circulation eff (%)		85%
Net Residential (sf)		34,873
Average Unit Size (net, sf)		811
Total Parking Spaces		45
Surface Spaces		0
Podium Spaces		45
Underground Spaces		0
Parking Ratio (spaces/du)		**1.05**
Garage Size (sf)		19,096
Unit Mix	**%**	**#**
Studio	0%	0.0
One-Bedroom	25%	11.0
Two-Bedrooms	75%	32.0
Three-Bedrooms	0%	0.0
Total	0%	**43.0**
Affordable Units	15%	6.45 (a)
Affordable Breakdown	**Aff**	**Market**
Studio	0.0	0.0
One-Bedroom	2.0	9.0
Two-Bedrooms	4.0	28.0
Three-Bedrooms	0.0	0.0
Total	6.0	37.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$443	(b)
Commercial Hard Costs, per sf	$443	(c)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(d)
School Fees (per sf residential)	$3.79	(e)
School Fees (per sf commercial)	$0.78	(e)
Operating Revenues & Expenses		
Market Rate Studio, per Month	$3,303	(f)
Market Rate 1 BR, per Month	$3,686	
Market Rate 2 BR, per Month	$4,455	
Market Rate 3 BR, per Month	$4,883	
Moderate-Income Rental Prices (net utilities)		(g)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$18,186,500
Commercial	$828,373
Podium Parking	$1,800,000
Total Hard Costs	**$20,814,873**
Hard Costs per Unit	*$484,067*
Soft Costs	$3,122,231
Impact fees	$156,950
Fractional Fee	$60,825 (h)
Total Soft Costs	**$3,340,006**
Developer Profit	**$2,415,488**
Total Development Costs (Excl. Land)	**$26,570,367**
Cost per non parking sf	*$619*
Cost per residential unit	*$617,916*
Projected Revenue	
Gross Annual Income	$2,129,551
Less: Vacancy	($106,478)
Less: Operating Expenses	($638,865)
Net Operating Income (NOI)	**$1,384,208**
Capitalized Project Value	$28,423,163
Less Total Development Costs	($26,570,367)
Residual Land Value (RLV)	**$1,852,796**
RLV per Site sf	***$62***
Feasibility Threshold per Site sf	*$150*
Financially Feasible?	***No***
RLV per Site sf - 10%	*$82*

Notes:
(a) Per Santa Barbara Municipal Code Section 30.150.110, Inclusionary Requirements for Rental Housing Projects.
(b) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 4 Stormwater Requirements (additional $17/sf GBA for a $700,000 investment).
(c) Includes Commercial Shell and Tenant Improvements
(d) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(e) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(f) Based on rents for market-rate units in recently-constructed multifamily rental developments, according to CoStar. Rental rate shown is weighted based on unit mix of prototype.
(g) Per Maximum Rent levels for Target AMI of 100% (City of Santa Barbara), net Utilities.
(h) Per Santa Barbara Municipal Code Section 30.150.120, to calculate Fractional In-Lieu Fee, divide the remainder (0.45) by total number of Inclusionary Units required (6.45), multiplied by the current in-lieu fee rate of $25. Multiply by net residential square feet.
Source: BAE, 2025.

Figure 19: Financial Feasibility, Prototype SDBL-I: Rental Mixed-Use Density Bonus Prototype

Development Program Assumptions			
Site Size (acres)			0.69
Site Size (sf)			30,000
AUD Allowable Dwelling Units			**44**
Total Dwelling Units (SDB)			**59** (a)
Commercial Space (sf, gross)			1,869
Gross Residential Area (sf)			41,027
GBA (excluding parking, sf)			42,896
Residential Circulation eff (%)			88.4%
Net Residential (sf)			36,250
Average Unit Size (net, sf)			614
Total Parking Spaces			45
Surface Spaces			0
Podium Spaces			45
Underground Spaces			0
Parking Ratio (spaces/du)			**0.76**
Unit Mix		**%**	**#**
Studio		25%	15.0
One-Bedroom		50%	30.0
Two-Bedrooms		25%	14.0
Three-Bedrooms		0%	0.0
Total		0%	59.0
VLI Units		10%	5.0
Mod Units		0%	0.0 (b)
Affordable Breakdown	**VLI**	**Mod**	**Market**
Studio	1.0	0.0	14.0
One-Bedroom	3.0	0.0	27.0
Two-Bedrooms	1.0	0.0	13.0
Three-Bedrooms	0.0	0.0	0.0
Total	5.0	0.0	54.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$442	(c)
Commercial Hard Costs, per sf	$442	(d)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(e)
School Fee (per sf residential)	$3.79	(f)
School Fee (per sf commercial)	$0.78	(f)
Operating Revenues & Expenses		(g)
Market Rate Studio, per Month	$3,303	
Market Rate 1 BR, per Month	$3,402	
Market Rate 2 BR, per Month	$3,966	
Market Rate 3 BR, per Month	$4,883	
Affordable Unit Rental Prices (net utilities)		(h)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
VLI Studio, per Month	$895	
VLI 1 BR, per Month	$999	
VLI 2 BR, per Month	$1,098	
VLI 3 BR, per Month	$1,174	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$18,153,827
Commercial	$826,885
Podium Parking	$1,800,000
Underground Parking	$0
Parking Stackers	$0
Total Hard Costs	**$20,780,711**
Hard Costs per Unit	*$352,215*
Soft Costs	$3,117,107
School Fee	$156,950
Fractional In-Lieu Fee	n/a
Total Soft Costs	**$3,274,057**
Developer Profit	**$2,405,477**
Total Development Costs (Excl. Land)	**$26,460,245**
Cost per non parking sf	*$617*
Cost per residential unit	*$448,479*

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$2,335,583
Less: Vacancy	($116,779)
Less: Operating Expenses	($700,675)
Net Operating Income (NOI)	**$1,518,129**
Capitalized Project Value	$31,173,076
Less Total Development Costs	($26,460,245)
Residual Land Value (RLV)	**$4,712,832**
RLV/acre	**$6,843,031**
RLV per Site sf	***$157***

Notes:
(a) Applies 32.5% Density Bonus to AUD Priority Housing Overlay Density. Calculated on the Base Number of Units allowed (44), rounded up to the nearest whole number.
(b) Providing 10% of base units for lower income households to satisfy SDBL also satisfies the inclusionary requirement for rental.
(c) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 4 Stormwater Requirements (additional $17/sf GBA for a $750,000 investment).
(d) Includes Commercial Shell and Tenant Improvements
(e) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(f) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(g) Based on rents for market-rate units in recently-constructed multifamily rental developments, per CoStar. Rental rate shown is weighted based on unit mix of prototype.
(h) Utilize Maximum Rents for Very-Low Income (Target 50% AMI) households published in April 2025 by the City of Santa Barbara, minus utilities.
Source: BAE, 2025

Figure 20: Financial Feasibility, Prototype SDBL-II: Rental Density Bonus Prototype

Development Program Assumptions			
Site Size (acres)			0.69
Site Size (sf)			30,000
AUD Allowable Dwelling Units			**44**
Total Dwelling Units (SDB)			**66** (a)
Commercial Space (sf, gross)			0
Gross Residential Area (sf)			62,972
GBA (excluding parking, sf)			62,972
Residential Circulation eff (%)			85.0%
Net Residential (sf)			53,526
Average Unit Size (net, sf)			811
Total Parking Spaces			0
Surface Spaces			0
Podium Spaces			0
Underground Spaces			0
Parking Ratio (spaces/du)			**0.00**
Unit Mix		**%**	**#**
Studio		25%	17.0
One-Bedroom		50%	33.0
Two-Bedrooms		25%	16.0
Three-Bedrooms		0%	0.0
Total		0%	66.0
VLI Units		15%	7.0
Mod Units		0%	0.0 (b)
Affordable Breakdown	**VLI**	**Mod**	**Market**
Studio	2.0	0.0	15.0
One-Bedroom	3.0	0.0	30.0
Two-Bedrooms	2.0	0.0	14.0
Three-Bedrooms	0.0	0.0	0.0

Cost and Income Assumptions		
Development Costs		
Residential Hard Costs, per sf	$437	(c)
Commercial Hard Costs, per sf	$437	(d)
Podium Parking, per space	$40,000	
Underground Parking, per space	$70,000	
Soft Costs (as a % of hard costs)	15%	(e)
School Fee (per sf residential)	$3.79	(f)
School Fee (per sf commercial)	$0.78	(f)
Operating Revenues & Expenses		(g)
Market Rate Studio, per Month	$3,694	
Market Rate 1 BR, per Month	$3,903	
Market Rate 2 BR, per Month	$5,315	
Market Rate 3 BR, per Month	$5,695	
Affordable Unit Rental Prices (net utilities)		(h)
Moderate Income Studio, per Month	$1,604	
Moderate Income 1 BR, per Month	$1,990	
Moderate Income 2 BR, per Month	$2,372	
Moderate Income 3 BR, per Month	$2,641	
Commercial Revenue ($/sf)	$3.26	
VLI Studio, per Month	$895	
VLI 1 BR, per Month	$999	
VLI 2 BR, per Month	$1,098	
VLI 3 BR, per Month	$1,174	
Vacancy Assumption	5%	
Operating Expenses (% gross revenues)	30%	
Developer Profit (as % of total project costs)	10%	
Capitalization Rate	4.87%	

Development Cost Analysis	
Hard Costs	
Residential	$27,513,000
Commercial	$0
Podium Parking	$0
Underground Parking	$0
Parking Stackers	$0
Total Hard Costs	**$27,513,000**
Hard Costs per Unit	*$416,864*
Soft Costs	$4,126,950
School Fee	$238,663
Fractional In-Lieu Fee	n/a
Total Soft Costs	**$4,365,613**
Developer Profit	**$3,187,861**
Total Development Costs (Excl. Land)	**$35,066,474**
Cost per non parking sf	*$557*
Cost per residential unit	*$531,310*

Valuation Analysis	
Projected Revenue	
Gross Annual Income	$3,046,536
Less: Vacancy	($152,327)
Less: Operating Expenses	($913,961)
Net Operating Income (NOI)	**$1,980,248**
Capitalized Project Value	$40,662,185
Less Total Development Costs	($35,066,474)
Residual Land Value (RLV)	**$5,595,711**
RLV/acre	**$8,124,972**
RLV per Site sf	***$187***

(a) Applies 50% Density Bonus to AUD Priority Housing Overlay Density. Calculated on the Base Number of Units allowed (44), rounded up to the nearest whole number.
(b) Providing 15% of base units for VLI households to satisfy SDBL also satisfies the inclusionary requirement for rental.
(c) Hard Costs include Site Prep work (e.g., grading, minor demolition), and assume Tier 4 Stormwater Requirements (additional $17/sf GBA for a $750,000 investment).
(d) Includes Commercial Shell and Tenant Improvements
(e) Soft costs shown in this line include engineering, architecture, as well as City cost-recovery fees for planning, permitting, and entitlements, and financing.
(f) Per Santa Barbara Unified Developer Fee Schedule, effective October 2024.
(g) Based on rents for market-rate units in recently-constructed multifamily rental developments ,according to CoStar. Rental rate shown is weighted based on the unit mix in the prototype.
(h) Utilize Maximum Rents for Very-Low Income (Target 50% AMI) households published in April 2025 by the City of Santa Barbara, minus utilities.
Source: BAE, 2025

APPENDIX D: RESIDENTIAL NEXUS ANALYSIS

The residential nexus analysis identifies the relationship between construction of new market-rate residential units, the need for affordable housing, and the need for City funds to construct affordable housing. The nexus analysis establishes the rates the City would need to charge in inclusionary housing in-lieu fees to fully address the estimated affordable housing need associated with the construction of a prototypical new market-rate residential development.

The residential nexus calculation assumes that new households in Santa Barbara will spend some of their money within the local economy, thereby supporting employment for new workers, a portion of which will be in need of affordable housing. The residential nexus-based fee for market-rate residential units represents the fee that the City of Santa Barbara would need to collect to support the construction of the affordable housing needed to house these lower-income worker households.

The process for estimating the relationship between new residential development and the fee revenue necessary to address the resulting affordable housing need consists of the following steps:

Step 1: Identify Housing Types and Prices

The residential nexus analysis evaluates two residential development types that encompass anticipated development in Santa Barbara over the next several years: a multi-unit rental development and an ownership condominium residential project.

First, Step 1 identified the estimated average rent or sale price for each unit type. For rental units, BAE reviewed data from CoStar on rental rates among new (built since 2017) multifamily rental properties in Santa Barbara. For ownership units, BAE reviewed data from Redfin on sale prices among recently-constructed (built since 2007) condominiums in Santa Barbara. Input from interviews with members of the local development community and responses to the developer survey also informed the rent and sale price assumptions that were used in the analysis. The resulting average rent and sale price estimates are shown in Table 21 and Table 22, respectively.

Step 2: Estimate the Incomes of Households in New Market-Rate Housing

Step 2 applies the rent and sale prices for new units in Santa Barbara from Step 1 to estimate the household income needed to occupy new rental and ownership units in Santa Barbara. Table 21 presents the annual household income required to rent new market-rate multifamily rental units in Santa Barbara, assuming households spend 30 percent of their gross income on rent and utilities, in accordance with HUD guidelines. Housing analysts and local, State, and federal housing programs typically consider a household's housing costs to be affordable if the cost of housing is equal to no more than 30 percent of household income.

Based on an estimated average monthly rent of $4,278 for new rental units, the estimated annual household income required to afford these market rents is approximately $177,736.

Table 21: Income Required to Rent New Multifamily Units (built in 2017 or later) in Santa Barbara

	Apartment
Average Monthly Rent (a)	$4,278
Plus Utilities (b)	$166
Total Monthly Housing Costs	$4,443
Annual Housing Costs	$53,321
Household Income Required (c)	**$177,736**

Notes:
(a) Estimated average monthly rents for **new** units (built since 2017) based on data from CoStar, applied to sizes used in the pro-formas.
(b) Includes published utility allowances effective January 2025 from HASB for "Basic" Electric, Gas, Water, Sewer, and Trash.
(c) Assumes 30 percent of gross income spent on housing costs.

Sources: Costar, 2025; Housing Authority of Santa Barbara City, 2025; BAE, 2025.

Table 22 shows the annual household income required to afford a new ownership unit in Santa Barbara. Based on the sale prices for new ownership units, the estimated annual household income needed to afford new ownership units in Santa Barbara is approximately $278,610 for condominiums.

Table 22: Income Required to Purchase New Market-Rate Units in Santa Barbara

	Condominium
Estimated Sale Price for New Residential Unit (a)	$1,265,032
Monthly Housing Costs for a New Residential Unit (b)	$8,126
Annual Housing Costs	$97,514
Household Income Required	**$278,610**
Assumptions	
Annual Interest Rate (c)	6.58%
Term of Mortgage (years)	30
Percent of sales price as down payment	20%
Property tax as a % of Sale Price (annual) (d)	1.08%
Annual homeowner's insurance cost (townhouse/condo) (e)	$599
Monthly homeowners' association fee (Condos) (f)	$494
Percent of household income available for housing costs	35%

Notes:
(a) Based on Redfin previous 12-month condo sales in City of Santa Barbara (2007+), applied to sizes used in pro-formas.
(b) Monthly housing costs based on estimated sale price for each unit type and the resulting monthly housing cost. The monthly housing cost is equal to the monthly mortgage payment, based on the mortgage terms shown in the table, as well as the estimated property tax payment, home insurance cost, and HOA fee.
(c) Equal to the average of the weekly rate for a 30-year fixed rate mortgage between Jan 2023-Feb 2025 per Freddie Mac.
(d) Includes Basic 1.00% Prop 13/AB8 plus applicable SB Unified Bond, SBCC Bond, SC Flood Zone, and Measure S.
(e) Based on insurance rate information provided via California Dept. of Insurance for condos in Santa Barbara County.
(f) Based on HOA fees for recently-constructed (2007+) condominiums in the City that were sold in the past year per Redfin.
Sources: Redfin, 2024-25; Freddie Mac, 2023-2025; California Department of Insurance, 2025; BAE, 2025.

Step 3: Analyze the Spending Patterns for Households in New Market-Rate Units and Estimate the Number of Jobs Associated with this Spending

New household spending within an economy supports jobs. As households spend money on retail goods, food, and services (health, personal, professional, and educational), they support job growth in these and other sectors.

To estimate the effect of new household spending on employment generation, this analysis uses IMPLAN ("Impact Analysis for Planning"), a widely-accepted and utilized software model. See Appendix E for more information about IMPLAN. At the heart of the model is an input-output dollar flow table. For a specified region (in this case, Santa Barbara County), the input-output table accounts for all dollar flows between different sectors of the economy. Using this information, IMPLAN models the way income injected into one sector is spent and re-spent in other sectors of the regional economy, generating waves of economic activity, or so-called "economic multiplier" effects.

For the purpose of this analysis, the economic "event" is the household spending by occupants of new residential units in Santa Barbara. By IMPLAN definition these household expenditures are *direct* impacts, and the resulting spending generates *induced* impacts. For instance, the household expenditures generate jobs for cashiers and baggers at grocery stores patronized by the new households. The process initiated by household expenditures continues as these workers and the businesses they work for spend money in subsequent transactions,

supporting employment at places other than the initial point of sale, such as wholesalers supplying retail stores, or truck drivers delivering goods to those stores. In turn, these businesses and workers spend money to generate additional activity in the local economy. These are all part of the *induced* impacts linked to the household expenditures.

For the two residential unit types evaluated, the IMPLAN analysis provides an estimate of the total number of jobs generated by the household expenditures made by residents in new market-rate housing. Because household spending tends to increase as household incomes increase, the IMPLAN analysis indicates that condominium ownership units will generate a higher number of jobs per unit than multifamily rental units. The IMPLAN analysis estimates the total number of jobs as well as the number of jobs in each industry sector that each unit type will generate. These estimates are shown in Step 4 (Table 24 through Table 26).

Step 4: Estimate New Worker Households by Household Income Level

For the residential nexus, Public Use Microdata Samples (PUMS) data was used to estimate worker household incomes for workers in each industry sector that is associated with job growth attributable to new market-rate residential units, as identified in the IMPLAN analysis in Step 3. Worker households[10] often have more than one employed person. The incomes of individual workers do not provide sufficient information to estimate the distribution of household incomes among new workers because worker households vary with respect to the number of other workers in the household and the individual incomes among any other workers in the household.

Table 23 shows the distribution of workers in each major industry sector by household income level, based on PUMS data for workers employed in each industry sector that work in Santa Barbara County.

[10] A worker household is a household with one or more employed persons. They may be wage and salary workers, or self-employed/sole proprietors.

Table 23: Worker Household Income Level by Industry of Employment, Santa Barbara County

Industry	NAICS Code	Estimated Household Income as a Percent of AMI (a) Acutely Low (15% AMI)	Extremely Low (30% AMI)	Very Low (50% AMI)	Low (80% AMI)	Moderate (120% AMI)	Above Moderate >120% AMI)	Total
Private Sector								
Agriculture and Natural Resources	11, 21	0.4%	18.6%	26.1%	26.3%	6.9%	21.6%	100.0%
Construction	23	1.1%	7.0%	14.7%	23.0%	5.2%	49.0%	100.0%
Manufacturing	31-33	1.1%	2.9%	9.1%	18.8%	4.1%	64.0%	100.0%
Wholesale Trade	42	0.0%	4.0%	17.5%	25.9%	3.5%	49.1%	100.0%
Retail Trade	44-45	3.2%	8.9%	16.5%	25.0%	3.4%	43.0%	100.0%
Transportation, Warehousing, and Utilities	48-49, 22	2.0%	8.1%	14.4%	22.3%	3.6%	49.7%	100.0%
Information	51	1.2%	1.8%	6.0%	13.4%	6.0%	71.8%	100.0%
Finance, Insurance, and Real Estate	52-53	1.0%	4.2%	8.9%	19.0%	3.1%	63.7%	100.0%
Professional, Scientific, & Technical Svcs, & Mgmt of Companies	54-55	0.4%	2.0%	3.3%	9.9%	3.2%	81.3%	100.0%
Administrative and Support and Waste Mgmt. Svcs	56	1.3%	10.3%	19.2%	27.7%	6.4%	35.1%	100.0%
Educational Services	61	2.1%	5.4%	11.7%	19.8%	5.7%	55.3%	100.0%
Health Care and Social Assistance	62	1.2%	5.0%	14.3%	22.3%	2.9%	54.2%	100.0%
Leisure and Hospitality	71-72	2.6%	10.9%	20.1%	25.4%	2.0%	39.0%	100.0%
Other Services Except Public Administration	81	2.6%	7.4%	17.3%	27.7%	4.9%	40.1%	100.0%
All Government Employment		1.8%	4.6%	7.1%	21.6%	3.1%	61.7%	100.0%
Total		**1.6%**	**7.1%**	**13.6%**	**22.0%**	**3.9%**	**51.8%**	**100.0%**

Note:
(a) Based on a cross tabulation of Public Use Microdata Samples (PUMS) from the 2019-2023 American Community Survey. These incomes were compared to 2023 Santa Barbara County household income limits published by HCD to determine the percentage of households in each income category. The analysis controlled for household size, to address the varying income limits for each household size.

Sources: American Community Survey, 2019-2023 Public Use Microdata Sample; CA Dept. of Housing and Community Development (HCD), 2023; BAE, 2025.

Table 24 applies the household income distribution by industry, as shown in Table 23, to the number of jobs generated in each industry as a result of spending by households, as estimated in Step 3. Since the income of an individual household generates only a small amount of employment within each specific industry and household income level category, the tables show the number of jobs generated for every 100 units. The results are then divided by 100 in Step 6 below to show the estimated impact of a single household.

Housing need is based on the number of households rather than the number of jobs. As such, the analysis translates the number of jobs into households by dividing the number of jobs by the average number of workers per worker household for each income category, using PUMS data to identify the average number of workers per worker household by household income level.

The number of jobs that each residential product type generates corresponds to the household income required to afford each unit type. As shown in Table 24, 100 units of high-density multifamily rental housing in Santa Barbara generates a need for approximately 40 housing units for local workers in total, including approximately 21 units affordable to acutely low, extremely low-, very low-, and low-income households. As shown in Table 25, 100 units of condominium ownership housing in Santa Barbara generates a need for approximately 45 housing units for local workers in total, including approximately 23 units affordable to acutely low, extremely low-, very low-, and low-income households. These findings are summarized in Table 26.

The findings shown in Table 24 and Table 25 and summarized in Table 26 can be used to identify the inclusionary housing proportions or fee that would be needed in each residential development type to fully mitigate the need for affordable housing that is attributable to new market-rate development.

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Table 24: Jobs and Worker Household Generation by Income Level from New Multifamily Rental Housing

Industry	NAICS Code	Total Jobs per 100 Units (a)	Estimated Jobs per 100 Units by Worker Household Income Level (b)					
			Up to 15% AMI	15% to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Over 120% AMI
Private Sector								
Agriculture and Natural Resources	11, 21	0.36	0.00	0.07	0.10	0.10	0.03	0.08
Construction	23	0.59	0.01	0.04	0.09	0.14	0.03	0.29
Manufacturing	31-33	0.10	0.00	0.00	0.01	0.02	0.00	0.07
Wholesale Trade	42	1.49	0.00	0.06	0.26	0.39	0.05	0.73
Retail Trade	44-45	10.48	0.33	0.93	1.73	2.62	0.36	4.51
Transportation, Warehousing, and Utilities	48-49, 22	2.05	0.04	0.17	0.29	0.46	0.07	1.02
Information	51	2.13	0.02	0.04	0.13	0.29	0.13	1.53
Finance, Insurance, and Real Estate	52-53	6.22	0.06	0.26	0.55	1.18	0.19	3.96
Professional, Scientific, & Technical Svcs, & Mgmt of Companies	54-55	3.35	0.01	0.07	0.11	0.33	0.11	2.72
Administrative and Support and Waste Management Services	56	3.46	0.05	0.36	0.66	0.96	0.22	1.21
Educational Services	61	2.02	0.04	0.11	0.24	0.40	0.11	1.12
Health Care and Social Assistance	62	15.56	0.19	0.78	2.23	3.46	0.46	8.43
Leisure and Hospitality	71-72	15.43	0.40	1.68	3.10	3.91	0.31	6.02
Other Services Except Public Administration	81	7.88	0.21	0.59	1.36	2.19	0.38	3.16
All Government Employment		1.27	0.02	0.06	0.09	0.28	0.04	0.79
Total Jobs		**72.40**	**1.40**	**5.20**	**10.95**	**16.71**	**2.50**	**35.64**
Workers per Households (c)		1.80	1.24	1.36	1.65	1.85	1.96	1.94
Number of Households		**40.25**	**1.13**	**3.81**	**6.65**	**9.02**	**1.27**	**18.37**

Notes:
(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.
(b) Estimated Jobs per 100 Units at each worker household income level is equal to Total Jobs per 100 Units in each industry, as shown in this table, multiplied by the share of workers in each industry at each income level, as shown in Table 23.
(c) Average number of workers per worker household by income category calculated based on American Community Survey PUMS data, 2019-2023.

Sources: American Community Survey, 2019-2023 Public Use Microdata Sample; CA Department of Housing and Community Development, 2023; IMPLAN; BAE, 2025.

Table 25: Jobs and Worker Household Generation by Income Level from New Ownership Housing

Industry	NAICS Code	Total Jobs per 100 Units (a)	Estimated Jobs per 100 Units by Worker Household Income Level (b)					
			Up to 15% AMI	15% to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Over 120% AMI
Private Sector								
Agriculture and Natural Resources	11, 21	0.35	0.00	0.07	0.09	0.09	0.02	0.08
Construction	23	0.59	0.01	0.04	0.09	0.14	0.03	0.29
Manufacturing	31-33	0.10	0.00	0.00	0.01	0.02	0.00	0.06
Wholesale Trade	42	1.43	0.00	0.06	0.25	0.37	0.05	0.70
Retail Trade	44-45	9.95	0.32	0.88	1.64	2.49	0.34	4.28
Transportation, Warehousing, and Utilities	48-49, 22	2.21	0.04	0.18	0.32	0.49	0.08	1.10
Information	51	1.93	0.02	0.03	0.12	0.26	0.12	1.39
Finance, Insurance, and Real Estate	52-53	9.64	0.10	0.41	0.85	1.84	0.30	6.14
Professional, Scientific, & Technical Svcs, & Mgmt of Companies	54-55	3.78	0.01	0.07	0.12	0.37	0.12	3.07
Administrative and Support and Waste Management Services	56	3.49	0.05	0.36	0.67	0.97	0.22	1.22
Educational Services	61	3.77	0.08	0.20	0.44	0.75	0.21	2.09
Health Care and Social Assistance	62	17.42	0.22	0.87	2.50	3.88	0.51	9.44
Leisure and Hospitality	71-72	16.41	0.43	1.78	3.30	4.16	0.33	6.40
Other Services Except Public Administration	81	9.34	0.25	0.69	1.61	2.59	0.45	3.74
All Government Employment		0.99	0.02	0.05	0.07	0.21	0.03	0.61
Total Jobs		**81.40**	**1.54**	**5.70**	**12.09**	**18.62**	**2.83**	**40.62**
Workers per Households (c)		1.80	1.24	1.36	1.65	1.85	1.96	1.94
Number of Households		**45.18**	**1.24**	**4.18**	**7.33**	**10.05**	**1.44**	**20.94**

Notes:
(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.
(b) Estimated Jobs per 100 Units at each worker household income level is equal to Total Jobs per 100 Units in each industry, as shown in this table, multiplied by the share of workers in each industry at each income level, as shown in Table 23.
(c) Average number of workers per worker household by income category calculated based on American Community Survey PUMS data, 2019-2023.

Sources: American Community Survey, 2019-2023 Public Use Microdata Sample; CA Department of Housing and Community Development, 2023; IMPLAN; BAE, 2025.

Table 26: Summary of Induced Housing Need per 100 Units by Residential Development Type by Income Category

Jobs	Total Jobs per 100 Units (a)	Estimated Jobs per 100 Units by Worker Household Income Level (b)					
		Up to 15% AMI	15% to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Over 120% AMI
Rental Apartments	72.40	1.40	5.20	10.95	16.71	2.50	35.64
For-Sale Condos	81.40	1.54	5.70	12.09	18.62	2.83	40.62

Households	Total HH per 100 Units (c)	Estimated Worker Households per 100 Units by Worker Household Income Level (c)					
		Up to 15% AMI	15% to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Over 120% AMI
Rental Apartments	40.25	1.13	3.81	6.65	9.02	1.27	18.37
For-Sale Condos	45.18	1.24	4.18	7.33	10.05	1.44	20.94

Notes:
(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.
(b) Estimated Jobs per 100 Units at each worker household income level is equal to Total Jobs per 100 Units in each industry, as shown in this table, multiplied by the share of workers in each industry at each income level.
(c) Average number of workers per worker household by income category calculated based on American Community Survey PUMS data, 2019-2023.

Sources: American Community Survey, 2019-2023 Public Use Microdata Sample; CA Department of Housing and Community Development, 2023; IMPLAN; BAE, 2025
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Step 5: Calculate the Affordable Housing Financing Gap

This step calculates the cost to house the extremely low-, very low-, and low-income households from Step 4 by determining the per unit "financing gap" for an affordable unit. The financing gap for an affordable unit is the difference between the development cost for an affordable unit and the amount of permanent financing available to subsidize the development of the unit.

Affordable Unit Development Cost. The estimated average construction cost for an affordable unit in Santa Barbara County is based on cost estimates provided in ten applications for tax credit funding that were submitted in 2023 and 2024 for proposed affordable housing developments in Santa Barbara County. Cost information from applications was inflated to 2025 estimates based on the RS Means Historical Cost Index. Based on the information from these applications, the estimated average cost to construct an affordable housing unit in Santa Barbara County is approximately $757,000, as shown in Table 27 below. This may underestimate the cost of constructing new affordable units in Santa Barbara; for example, the Housing Authority recently estimated that the cost to construct affordable housing in Santa Barbara averages approximately $1 million per unit. To the extent that the estimate of $757,000 understates the true average cost of constructing an affordable unit in Santa Barbara, this analysis may underestimate the fee that could be supported based on the nexus analysis.

Permanent Financing. The financing gap for an affordable unit assumes an affordable housing developer is able to secure four percent Low-Income Housing Tax Credit (LIHTC) equity financing and a permanent loan based on the net operating income (NOI) from each unit.

The analysis assumes four percent LIHTC equity financing because this funding source is more readily available than nine percent LIHTC financing, for which there is considerable competition. However, four percent LIHTC financing is nonetheless limited and is unlikely to be available at the levels that would be necessary to construct all the affordable units needed to address housing needs generated by new market-rate residential development. In addition, inclusion of four percent tax credits as a funding source shifts some of the cost of providing affordable housing onto the public sector because the tax credits reduce the tax credit investors' tax liability. Including four percent LIHTC financing as a source of funding in the nexus model reduces the net affordability gap shown in Table 27, and therefore serves as a conservative assumption in estimating the cost associated with mitigating the housing needs generated by new residential development. As shown in Table 27, four percent LIHTC equity would provide an estimated $276,577 per affordable unit, based on an average development cost of approximately $757,000 per affordable unit. Table 27 does not include any LIHTC equity for moderate-income units because moderate-income units are not eligible for LIHTC funding.

The financing gap calculation does not include financing from other public funding sources because other sources are limited and typically require a heavily competitive application process. These sources are not sufficient to fully address affordable housing needs that arise from the impact of new market-rate residential development projects in Santa Barbara.

Table 27 also shows the estimated permanent loan amount per unit, based on the Net Operating Income (NOI) from each unit (i.e., gross income net of vacancy and expenses) and typical financing terms. The rental rates used in this analysis are the 2025 rent limits for a two-bedroom unit for households at each income level, as set by the Tax Credit Allocation Committee (TCAC) for LIHTC projects, excluding an estimated utility allowance effective January 2025 from Housing Authority of the City of Santa Barbara (HASB) for "Basic" Electric, Gas, Water, Sewer, and Trash.

Table 27: Affordable Housing Financing Gaps, Santa Barbara, 2025

	Income Group			
	ELI	VLI	LI	Moderate
Household Income Limit (a)	$47,700	$79,450	$127,100	$128,600
Maximum Affordable Monthly Contract Rent per Unit (b)	$1,016	$1,811	$3,003	$3,040
Annual Gross Rent per Unit	$12,192	$21,732	$36,036	$36,480
Less 5% Vacancy	($610)	($1,087)	($1,802)	($1,824)
Miscellaneous Income per Unit (Annual) (c)	$131	$131	$131	$131
Less 5% Vacancy	($7)	($7)	($7)	($7)
Total Annual Revenue per Unit	$11,706	$20,769	$34,358	$34,780
Less Annual Operating Expenses per Unit (c)	$11,580	$11,580	$11,580	$11,580
Annual Net Operating Income per Unit	$126	$9,189	$22,778	$23,200
Annual Supportable Debt Service per Unit (d)	$110	$7,990	$19,807	$20,174
Total Development Costs per Affordable Unit (e)	$757,021	$757,021	$757,021	$757,021
Less: Permanent Loan Amount (f)	($1,466)	($106,884)	($264,946)	($269,852)
Less: Tax Credit Financing (4% LIHTC) (g)	($276,577)	($276,577)	($276,577)	$0
Financing Gap per Affordable Unit (h)	**$478,978**	**$373,560**	**$215,498**	**$487,169**

Notes:
(a) Based on a 3-person household, CA Department of Housing & Community Development, 2025.
(b) Maximum affordable rents for 2-bedroom units per TCAC rent limits, excluding 2-bedroom utility costs.
(c) Data from recent (2023 and 2024) applications for affordable housing projects in Santa Barbara, Ventura, and San Luis Obispo Counties.
(d) Net Operating Income divided by Debt Coverage Ratio.
(e) Average of development costs shown in LIHTC applications submitted in 2023-24 for projects in Santa Barbara County.
(f) The financing gap calculations that are shown in this table incorporate credit financing to offset a portion of the cost of constructing an affordable unit, which reduces the estimated financing gaps. However, it should be noted that projects must compete for tax credit financing, with a limited amount of funding available from tax credit financing in each round. It is unlikely that enough tax credits would be available to fully address affordable housing needs in Santa Barbara or in the broader region, and therefore full mitigation of housing needs would likely require affordable housing developments to be constructed without tax credit financing. Therefore, the financing gaps shown in this table likely represent an underestimate of the funding that would be needed to address the full need.
(g) Based on financing terms assumptions. Moderate units are not eligible for LIHTCs.
(h) Total Development Costs less Loan Amount and tax credit financing.
(i) Based on Secured Overnight Financing Rate (SOFR) plus 200 basis points to reflect Q1 2025 financial conditions.
(i) All of the City of Santa Barbara is included within either a Difficult to Develop Area (DDA) or Qualified Census Tract (QCT). Projects in DDAs or QCT receive a tax credit "boost".

The vacancy, miscellaneous income, and operating expense assumptions shown in Table 27 are also based on information provided in 2023 and 2024 applications for LIHTC funding for projects in Santa Barbara County. Based on the NOI for units at each affordability level and standard financing assumptions, the supportable loan amount ranges from $1,466 per unit for units serving extremely low-income households to $269,852 per unit for units serving moderate-income households.

Net Financing Gap. The financing gap per affordable unit is equal to the total development cost less the tax credit equity and supportable loan amount. As shown, the financing gap per affordable unit ranges from $215,498 for low-income units to $487,169 for moderate-income units.

Step 6: Calculate the Maximum Nexus-Based Fee

The final step in calculating the nexus-based fee is to apply the financing gap per unit for each income level (from Step 5) to the total housing need by income level from new market-rate units (from Step 4). As shown in Table 28, the nexus-based fees for residential product types are as follows:

Multifamily Rental:
$91.41 per net square foot
Ownership Condominium:
$72.53 per net square foot

While the nexus analysis shows that condominium units are associated with a higher number of induced jobs than multifamily rental units, the overall nexus-based fee per square foot is lower for condominium units because condominiums generally have larger unit sizes.

Table 28: Nexus-Based Fee Rates for Market-Rate Residential Units

Affordability Level	Affordable Housing Need Per 100 Units (a)	Financing Gap (b)	Nexus-Based Fee Per 100 Units (c)	Nexus-Based Fee Per Unit (d)	Nexus-Based Fee Per Net SF (e)
Multifamily Rental Apartment Units					
Extremely Low Income (up to 30% AMI)	4.940	$478,978	$2,366,246	$23,662	$29.18
Very Low Income (31-50% AMI)	6.645	$373,560	$2,482,356	$24,824	$30.61
Low Income (51-80% AMI)	9.021	$215,498	$1,944,105	$19,441	$23.97
Moderate Income (80-120% AMI)	1.274	$487,169	$620,665	$6,207	$7.65
Total	**21.881**		**$7,413,373**	**$74,134**	**$91.41**
Condominium Units					
Extremely Low Income (up to 30% AMI)	5.420	$478,978	$2,596,189	$25,962	$22.95
Very Low Income (31-50% AMI)	7.331	$373,560	$2,738,634	$27,386	$24.21
Low Income (51-80% AMI)	10.051	$215,498	$2,166,074	$21,661	$19.15
Moderate Income (80-120% AMI)	1.442	$487,169	$702,632	$7,026	$6.21
Total	**24.245**		**$8,203,529**	**$82,035**	**$72.53**

Note:
(a) See Table 26
(b) See Table 27
(c) Equal to affordable housing need per 100 units at each income level multiplied by financing gap at corresponding level.
(d) Equal to the nexus-based fee per 100 units divided by 100.
(e) Reflects the fee rate per net leasable/saleable square foot. Based on the following unit sizes:
Multifamily Rental Apartment Units (SF): 811
Condominium Units (SF): 1,131
Source: BAE, 2025.

APPENDIX E: OVERVIEW OF IMPLAN

This appendix provides additional clarification on the IMPLAN input-output model. It provides an overview of the data that IMPLAN uses internally, a step-by-step account of how IMPLAN estimates economic impacts, and the process of how the model estimates the impacts of new commercial and housing projects.

What is IMPLAN?

IMPLAN is an input-output model that estimates the total economic implications of new economic activity within a specified geography. The model uses national industry data and county-level economic data to generate a series of multipliers, which in turn estimate the total economic implications of economic activity.

At the heart of the model is a national input-output dollar flow table called the Social Accounting Matrix (SAM). Unlike other static input-output models, which just measure the purchasing relationships between industry and household sectors, SAM also measures the economic relationships between government, industry, and household sectors, allowing IMPLAN to model transfer payments such as unemployment insurance. Thus, for the specified region, the input-output table accounts for all the dollar flows between the different sectors within the economy.

National Industry Data. The model uses national production functions for 546 sectors to determine how an industry spends its operating receipts to produce its commodities. The model also uses a national matrix to determine the *byproducts*[11] that each industry generates. To analyze the impacts of household spending, the model treats households as an "industry" to determine their expenditure patterns. IMPLAN couples the national production functions with a variety of county-level economic data to determine the impacts for our example.

County-Level Economic Data. To estimate the county-level impacts, IMPLAN combines national industry production functions with county-level economic data. IMPLAN collects data from a variety of economic data sources to generate average output, employment, and productivity for each of the industries in a given county. It also collects data on average prices for all of the goods sold in the local economy. In this analysis, IMPLAN uses economic data for Santa Barbara County. IMPLAN gathers data on the types and amount of output that each industry generates within the County. In addition, the IMPLAN model uses county-level data on the prices of goods and household expenditures to determine the consumption functions of regional households and local government, taking into account the availability of each commodity within the specified geography.

[11] The byproducts refer to any secondary commodities that the industry creates.

Multipliers. IMPLAN combines these data to generate a series of SAM-type multipliers for the local economy. The multiplier measures the amount of total economic activity that results from an industry (or household) spending an additional dollar in the local economy. Based on these multipliers, IMPLAN generates a series of tables to show the economic event's *direct*, *indirect*, and *induced* impacts to gross receipts, or output, within each of the model's 546 sectors. These outputs are described below:

- Direct Impacts. Direct impacts refer to the dollar value of economic activity available to circulate through the economy and the jobs associated with that economic activity. In the case of new residential development, the direct impacts are equal to the new households' discretionary spending. The direct impacts do not include household savings and payments to federal, state, and local taxes, as these payments do not circulate through the economy.

  It should be noted that impacts from retail expenditures differ significantly between the total economic value of retail and the amount available to circulate through the local economy. The nature of retail expenditures accounts for this difference. The model assumes that only the retail markup impacts the local economy, particularly for industries heavily populated with national firms such as gas stations and grocery stores. Since local stores generally buy a significant portion of goods from wholesalers and manufacturers outside of the area, and corporate profits also leave the local economy, only the retail markup will be available for distribution within the local economy. To the extent that retailers' headquarters are located within the county or region, the model allocates their portions of the impacts to the local economy.

- Indirect Impacts. The indirect impacts refer to the impact of local industries buying goods and services from other local industries, and to the jobs supported by those purchases. The cycle of spending works its way through the supply chain until all money leaks from the local economy, either through imports purchased outside of the local economy or by payments to income and taxes. For capital projects, indirect impacts include payments for wood, steel, office supplies, and any other non-labor payments that a construction firm would purchase in the building process.

- Induced Impacts. The induced impacts refer to the dollar and employment impacts of household spending by the employees generated by the direct and indirect impacts. In other words, induced impacts result from the household spending of employees that the new households patronize (direct) and their suppliers (indirect). The model accounts for local commute patterns in the geography. For example, if 20 percent of construction workers who work in the region live outside of the region, the model will allocate 80 percent of labor's disposable income into the model to generate induced impact estimates. The model excludes payments to federal and state taxes and savings based on the geography's average local tax and savings rates. Thus, only the disposable incomes from local workers are included in the model.

Specifying the "Event" and Running the Model

Once the model is built for the specified geography, the next step is specifying the "event" that the model will analyze and running the model.

Specifying the "Event." The "event" refers to the total economic value of industry output that the analyst is considering. For example, in the case of the construction of new market-rate residential units, the "event" would be the household spending by new households living in the residential units, including the resulting new jobs and the worker compensation.

Running the Model. Once the event is specified, IMPLAN model generates the results. By default, IMPLAN applies local data on average output per worker and compensation per worker to determine the direct impacts. The model then applies the value of the event to the national production functions and runs a number of iterations of this value through the production functions for the local economy to determine the indirect and induced impacts. For each iteration, the model removes expenditures to government, savings, and for goods bought outside of the local economy so that the results only include those dollars that impact the local economy.

Summarizing the Impacts

Once the model is run, IMPLAN generates output tables to show the direct, indirect, and induced impacts within each of the model's 546 sectors. IMPLAN generates these tables for three types of impacts: employment, output, and value added. The IMPLAN analysis of this study is focused on the employment impacts.

- *Employment* shows the number of employees needed to support the economic activity in the local economy. It should be noted that for ongoing operations, the employment figure represents the amount of employment needed to support that activity for a year. Furthermore, IMPLAN reports the number of jobs based on average output per employee for a given industry within the geography. This is not necessarily the same as the number of full-time positions.
- *Output* refers to the total economic value of the project in the local economy.
- *Value Added* shows the total income that the event generates in the local economy. This income includes:
    - *Employee Compensation* – total payroll costs, including benefits
    - *Proprietary Income* – payments received by self-employed individuals as income
    - *Other Property Type Income* – payments for rents, royalties, and dividends
    - *Indirect Business Taxes* – excise taxes, property taxes, fees, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses, but do not include taxes on profits or in