

# Public Comments

## Draft Inclusionary Housing and In-Lieu Fee Study

Draft Published: January 28, 2026

Public Comment Period: January 28 through March 1, 2026

Comments Accepted through: March 2, 2026

<b>Comment From</b>	<b>Date Received</b>
Denise Mann	February 2
Michele Carbone	February 12
Andrew Kish	February 25
Housing Authority of the City of Santa Barbara (Rob Fredericks)	February 25
Lisa Sands	February 26
Ben Romo	February 26
Coastal Housing Coalition (Craig Minus)	February 27
Brian Cearnal	February 27
Santa Barbara Association of Realtors (Krista Pleiser)	February 27
Habitat for Humanity of Southern Santa Barbara County (Jan Hubbell)	February 27
Lesley Wiscomb	February 28
Cassandra Ensberg	February 28
Richard Closson	March 1
Patricia Saley	March 1
John Campanella	March 1
Lucille Boss	March 2
The Home Team SBC (Maricela Morales)	March 2
American Institute of Architects Santa Barbara (Ivonne Schley)	March 2

**From:** [noeleve57@verizon.net](mailto:noeleve57@verizon.net)  
**To:** [Inclusionary Housing](#)  
**Cc:** [Randy Rowse](#)  
**Subject:** Comment on Draft Inclusionary Housing Study  
**Date:** Monday, February 2, 2026 5:57:19 PM

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Hello,

Upfront disclosure: I have not read the entire draft study. I just looked for information on the in-lieu fee.

It looks like the plan is to charge \$50/sq. foot for a project with 10 or more units and \$25/sq. foot for projects smaller than 10 units.

I have always wondered, if the goal is to have more affordable housing in a city, why does the government of that city give a developer an option to pay a fee instead of providing affordable units in the project? At \$50 per square foot for an 800 sq. foot apartment (\$40,000) with current Santa Barbara market rates for rent at about \$4,000 per month for a 2-bedroom, 2-bathroom unit, the developer recoups all of its in-lieu costs in a year – and the city loses out on an affordable unit forever. Doesn't make sense to me.

Rather than having the in-lieu option, make it city policy that every project of 15 or more units has to include affordable units. Come up with something that is reasonable for the number of units required. Scale it based on the size of the complex. Leave the smaller complexes alone. And while you're at it, if developers are required to include affordable or low-income units, cut them some slack and allow them to adjust the finishes in the units to manage their costs. White appliances instead of stainless steel, vinyl plank flooring instead of hardwood, builder grade light fixtures instead of designer, manufactured countertops instead of natural stone counters, etc. The units will still be nice.

The more housing units a city has, regardless of category – affordable, low-income, market rate – the greater the chance that sales prices and rents will settle, making it more affordable for everyone. The challenge in Santa Barbara is that there are more people seeking housing – either to own or rent - than housing units. It's a classic situation in which there is more demand than supply - which always drives up cost. Have more supply than demand; then, finding and affording housing will become easier for everyone.

If you decide on still having the in-lieu option, then that money should be put in a restricted fund for a rental assistance program for people who are struggling to pay rent in the city. And the money cannot be used for any other reason in perpetuity.

Respectfully,

Denise Mann

**From:** [Michele Carbone](#)  
**To:** [Inclusionary Housing](#)  
**Subject:** comments  
**Date:** Thursday, February 12, 2026 10:02:58 AM

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Hello-

I am commenting on the data used in your chart of Table 3, which purports to show an affordability gap but only for NEW UNITS. These numbers seem skewed to make the problem seem larger than it is, by not taking into consideration the much lower gap for affordability of older units which provide the bulk of the rental units in our city. I would propose to you to include a Table 3A containing this data. I would caution our city council to reflect on all rental units in our city and not just the new ones for their financial data basis in their upcoming rent control ordinance, as they are not known for examining all sides of the equation

-Michele Carbone

**From:** [Michele Carbone](#)  
**To:** [Inclusionary Housing](#)  
**Cc:** [Randy Rowse](#)  
**Subject:** more comments on draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Thursday, February 12, 2026 2:29:08 PM

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Hello-

Previously I sent in a comment about the affordability data of Table 3:

“I am commenting on the data used in your chart of Table 3, which purports [sic] to show an affordability gap but only for NEW UNITS. These numbers seem skewed to make the problem seem larger than it is, by not taking into consideration the much lower gap for affordability of older units which provide the bulk of the rental units in our city. I would propose to you to include a Table 3A containing this data. I would caution our city council to reflect on all rental units in our city and not just the new ones for their financial data basis in their upcoming rent control ordinance, as they are not known for examining all sides of the equation.”

I realize that these numbers are being utilized in the development of fees for new construction only. I do caution the city, however, to fully understand that housing numbers from one report may migrate erroneously to another report and then be used for the basis of a conclusion that it not strictly relevant. To that effort, I hope that all data associated with this housing study and all future uses be clearly labeled with respect to new or existing housing. The affordability gaps of table 3 surely do not and should not be used with respect to the affordability of renting existing older units, especially in view of the current push for rent control and additional burdens on our city’s housing providers.

On page 72, the estimated Santa Barbara County cost for an affordable unit in Santa Barbara is additionally based on building costs from San Luis Obispo and Ventura. There is no consideration noted for the differences in building costs which are surely much higher in Santa Barbara (which I believe to be heavily influenced by contractors who also work in Montecito). Shouldn’t the amount used in estimated construction cost analyses take this higher number into account? To state as on page 72 that the study MAY underestimate the fees is illogical because certainly it DOES underestimate the fees.

On page 103, the number of \$757,000 taken from 10 applications from Santa Barbara COUNTY, appears to be identical to the same 10 applications that came from Santa Barbara, Ventura, and San Luis Obispo on page 72. Instead of stating that an underestimation may be assumed as part of the study, perhaps the study should be REVISED to use the more accurate Housing Authority’s cost of \$1 million for SANTA BARBARA CITY building costs itself???

On page 80, the cost to build a podium parking space is discussed and later used in determination of fee analyses. Shouldn’t a less costly non-podium parking space cost also be specified and used in the analyses where parking costs are utilized?

Finally, there seems to be an over-riding assumption that all new housing would generate worker jobs, etc in our city. I do question IF many of the inhabitants of these new units would in fact already

be residents/workers within Santa Barbara such that they are already contributing to economic growth with their existing discretionary spending habits. (See page 113. If 80% of the construction workers live within the region all of their economic influence cannot be new additions to our economy.) I suggest it is imperative to properly account for the economic impact from the jobs created to be factored by the actual percentage of new households that will be established.

Thank you for the opportunity to review this report. I appreciate your consideration of my comments.

-Michele Carbone

p.s. Thank you for the reference to the rents listed in page 8 of the 2025 Rental Housing Survey Report, which also reminded me that all four of our two bedroom rentals in the City of Santa Barbara are currently rented at well under market rates. Well, that's just another thing that we mom and pop housing providers do for our city's residents.

**From:** [Andrew Kish](#)  
**To:** [Dana Falk](#)  
**Cc:** [Lucille Boss](#)  
**Subject:** RE: INFO: Correspondence from Dana Falk, Project Planner  
**Date:** Wednesday, February 25, 2026 10:59:59 AM  
**Attachments:** [image001.jpg](#)  
[DRAFT Inclusionary Housing and In-Lieu Fee Study Public Review 2026 City of SB.docx](#)

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Good morning, Dana.

I work with Lucille Boss to implement the County of Santa Barbara's Inclusionary Housing Program.

Lucille forwarded me a copy of the In-Lieu Fee Study to review, and I suggested an edit within the 2<sup>nd</sup> to last paragraph of page 43.

It currently describes County IHP requirements of 15% for 20+ unit residential projects.

However, the requirement varies between each HMA depending on affordability, so I suggested ***“Projects with 20 or more units require a total of up to 15%”***, instead.

Attached is a redlined version with this minor edit.

Thank for forwarding,  
Andrew

AKish



**From:** [Rob Fredericks](#)  
**To:** [Dana Falk](#); [Inclusionary Housing](#)  
**Cc:** [Lisa Carlos](#); [Dale Aazam](#)  
**Subject:** Re: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Wednesday, February 25, 2026 3:02:19 PM  
**Attachments:** [Housing Authority input on the Draft Inclusionary Housing and In-Lieu Fee Study 2-25-2026.pdf](#)

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Hi Dana,

Please use this attached version. On page 4 of 5 - under G.2 - the amount should be \$91 per net square foot, not \$93 that I sent under the original email.

Rob

**Rob Fredericks** | Executive Director/CEO  
Housing Authority of the City of Santa Barbara  
808 Laguna Street Santa Barbara, CA 93101  
[rfredericks@hacsb.org](mailto:rfredericks@hacsb.org) | [hacsb.org](http://hacsb.org) |  
direct [805-897-1051](tel:805-897-1051) | fax [805-564-7041](tel:805-564-7041)  
TTY English [866-660-4288](tel:866-660-4288) | TTY Spanish [866-288-1311](tel:866-288-1311)

Satisfaction Survey

<https://hacsb.wufoo.com/forms/z10vm3va0gs5acu>

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**From:** Dana Falk <dfalk@santabarbaraca.gov>  
**Date:** Wednesday, February 25, 2026 at 2:52 PM  
**To:** Rob Fredericks <RFredericks@hacsb.org>, Inclusionary Housing <InclusionaryHousing@santabarbaraca.gov>  
**Cc:** Lisa Carlos <lisacarlosq@gmail.com>, Dale Aazam <DAazam@hacsb.org>  
**Subject:** RE: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Thank you!

**Dana Falk, AICP**  
*Project Planner*  
CITY OF SANTA BARBARA, Community Development  
(805) 564-5470 x4556 | [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)

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**From:** Rob Fredericks <RFredericks@hacsb.org>  
**Sent:** Wednesday, February 25, 2026 1:57 PM  
**To:** Dana Falk <dfalk@santabarbaraca.gov>; Inclusionary Housing <InclusionaryHousing@santabarbaraca.gov>  
**Cc:** Lisa Carlos <lisacarlosq@gmail.com>; Dale Aazam <DAazam@hacsb.org>  
**Subject:** Re: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Hello Dana,

Attached is the Housing Authority's comment/input letter on the draft Inclusionary Housing and In-Lieu Fee Study.

We are very appreciative of being given the advance time to provide the requested input.

Best Regards,

Rob

**Rob Fredericks** | Executive Director/CEO  
Housing Authority of the City of Santa Barbara  
808 Laguna Street Santa Barbara, CA 93101  
[rfredericks@hacsb.org](mailto:rfredericks@hacsb.org) | [hacsb.org](http://hacsb.org) |  
direct [805-897-1051](tel:805-897-1051) | fax [805-564-7041](tel:805-564-7041)  
TTY English [866-660-4288](tel:866-660-4288) | TTY Spanish [866-288-1311](tel:866-288-1311)

Satisfaction Survey

<https://hacsb.wufoo.com/forms/z10vm3va0gs5acu>

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**From:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>  
**Date:** Monday, February 23, 2026 at 4:45 PM  
**To:** Inclusionary Housing <[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)>  
**Subject:** RE: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Good afternoon all,

Reminder to send your comments on the [draft Inclusionary Housing and In-Lieu Fee Study](#) to [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov) no later than **March 1<sup>st</sup>**.

Thanks in advance,



CITY OF SANTA BARBARA, Community Development  
[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)  
[PlanningCounter@santabarbaraca.gov](mailto:PlanningCounter@santabarbaraca.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)

Stay Engaged with this project (including public engagement and public hearings) by subscribing to email updates on the [Inclusionary Housing Requirements webpage](#).

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**From:** Inclusionary Housing  
**Sent:** Thursday, January 29, 2026 2:28 PM  
**Subject:** Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Good afternoon all,

Thank you in participating in conversations with the consultant (BAE Urban Economics) that informed the Inclusionary Housing and In-Lieu Fee Study.

A [draft Inclusionary Housing and In-Lieu Fee Study](#) is out for public review and staff is accepting comments. The City's Inclusionary Housing Requirements are being evaluated for possible amendments in this Study, per Housing Element Program HE-13.

The draft Study is available on the [Inclusionary Housing Requirements webpage](#). Please send your comments to [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov) no later than **March 1, 2026**.

After the public review period concludes, staff will review all received comments to inform revisions of the Study before publishing the final Inclusionary Housing and In-Lieu Fee Study in Spring 2026.

**Stay Engaged** with this project (including public engagement and public hearings) by subscribing to email updates on the [Inclusionary Housing Requirements webpage](#).

*About the Project (Inclusionary Housing Requirements)*

The City of Santa Barbara requires inclusionary housing—units at affordable prices—for multi-unit residential developments. Inclusionary housing requires a certain number of units—calculated as a percentage of total units in a development—to be sold to middle- income households or rented to moderate-income households. Staff is evaluating the current inclusionary housing requirements to inform possible amendments to these requirements and to meet Housing Element goals of creating new housing and facilitating affordable housing. The Inclusionary Housing and In-Lieu Fee Study is the first of two steps (evaluation) to implement Housing Element Program HE-13.

More information about this project can be found at [SantaBarbaraCA.gov/Inclusionary-Housing-Requirements](http://SantaBarbaraCA.gov/Inclusionary-Housing-Requirements).



CITY OF SANTA BARBARA, Community Development  
[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)  
[PlanningCounter@santabarbaraca.gov](mailto:PlanningCounter@santabarbaraca.gov)  
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**Caution:** This email originated from a source outside of the Housing Authority of the City of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.



February 25, 2026

Sent via email to: [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov) & [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov)

Dana Falk, Project Planner  
City of Santa Barbara Community Development  
630 Garden Street  
Santa Barbara, CA 93101

**RE: HOUSING AUTHORITY INPUT ON INCLUSIONARY/IN-LIEU FEE STUDY RESULTS:**

Dear Ms. Falk:

On behalf of the Housing Authority of the City of Santa Barbara, thank you for the opportunity to provide input on the Draft Inclusionary Housing and In-Lieu Fee Study prepared by BAE Urban Economics.

The Housing Authority is pleased the City has undertaken this study. The prior in-lieu fee structure, set at \$25 per net residential square foot, was simply too low to generate revenues capable of producing a meaningful impact on affordable housing development. In a market such as Santa Barbara, fee levels must reflect economic realities if they are to function as an effective housing policy tool. Our comments are as follows:

### Inclusionary Housing Remains Essential:

Santa Barbara's housing market continues to produce units affordable primarily to higher-income households. Inclusionary requirements remain one of the few dependable mechanisms for generating deed-restricted affordable housing integrated within market-rate developments. Inclusionary housing also ensures that the City can at least partially mitigate – through onsite construction of affordable housing or in-lieu fees – the additional demand for affordable housing created by new market rate housing developments, as documented in the nexus analysis in Appendix D of the report.

### Methodological Framework – Residual Land Value (RLV) vs. Return on Cost (ROC):

We note that the Study relies on Residual Land Value (RLV) modeling, whereas the City's earlier Keyser Marston feasibility analyses utilized a Return on Cost framework. These methodologies evaluate feasibility from fundamentally different perspectives.

Importantly, there is no single “correct” methodology. The November 2018 Turner Center / Lincoln Institute research appropriately concluded that no universally superior model exists; rather, the validity of any feasibility analysis depends on the reasonableness of its assumptions and inputs.

## Land Value Assumptions:

The land value inputs utilized in the RLV modeling are high. However, land prices are not static market constants. They respond to regulatory environments. Just as land values increased following implementation of the Average Unit Density program, stronger inclusionary requirements would be expected to moderate land pricing over time as obligations are capitalized into land transactions. This dynamic market response is well-established economic behavior and should inform interpretation of feasibility results.

## Return Assumptions:

We are concerned with the study’s analysis which assumes a 10 percent rate of return (profit) on total development costs which is incorporated into each of the prototypes analyzed in Appendix C (pp. 81-97). No data is presented in the report to justify this high rate nor an explanation provided as to why development is occurring on the South Coast despite the study’s “infeasibility” findings. There are currently over 2,000 units of housing pending or completed in the City’s Average Unit Density (AUD) Program database, see: <https://santabarbaraca.gov/MultiUnitHousing>

Given the significant implications of these findings, we believe more explanation of BAE’s economic assumptions given the South Coast’s unique market conditions is warranted. In high-demand, supply-constrained markets like ours, developers may accept lower profit margins because the underlying land appreciation and long-term asset value can compensate for thinner per-project returns. In the real world, required returns vary considerably across projects given different market cycles, capital structures and rates of land appreciation. By fixing the developer’s rate of return as fixed at 10%, the study risks overstating financial feasibility constraints, especially for larger projects. The study’s analysis should, therefore, reflect such contextual variability and generate feasibility data across a range of scenarios, e.g., showing how feasibility changes given different developer rate of returns from 6-10%.

## In-Lieu Fees Must Reflect Affordable Housing Costs and Needs:

In-lieu fees ensure that the City recoups some of the loss it faces as a result of increased affordable housing need created by new market rate housing developments. Local governments are entitled to such compensation in accordance with the Fee Mitigation Act which allows them to charge fees for adverse impacts to infrastructure caused by new development, including impacts to the increased demand for affordable housing. As demonstrated in the nexus analysis in Appendix D, for each housing unit produced the City faces a funding gap of between \$200 to 500K depending on the targeted income level (p. 108). In-lieu fees that are set too low, e.g., below the nexus findings of \$91.41 per sq ft for rentals and \$72.53 for condos (p. 110), will contribute to structural funding gaps, undermining the City’s ability to generate the housing and/or in lieu revenue required to meet its affordable housing production/RHNA targets and widening the deficit between need and supply.



fee revenues into actual housing production. Finally, prior to the issuance of the Certificate of Occupancy the City Inspector should verify collection of all in-lieu fees.

## Housing Authority's Recommendation Summary from Table 11 of the BAE Report:

### Program Related:

- A. Apply Inclusionary Requirements to All Rental Projects with 5+ Units  
*Housing Authority agrees.*
- B. Maintain Current Inclusionary Housing Requirements  
*Housing Authority agrees if this is concerning percentage level of the base onsite requirement of 10%. For all other refer to what we provided above.*
- C. Update the In-Lieu Fee Rate for Rental Projects with 10+ Units  
*Housing Authority agrees*
- D. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects  
*Housing Authority agrees with this provision, but set the in-lieu fee rate of \$50 per net residential square foot.*

### Policy Related:

- F. Count Rental Inclusionary Units as Bonus Density  
*Housing Authority is supportive of this and we believe this issue has been adjudicated in the courts making it mandatory to consider inclusionary units.*
- G.1 Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements  
*Housing Authority agrees*
- G.2 Consider In-Lieu Fee Payment for All Inclusionary Requirements  
*Housing Authority prefers to see onsite inclusionary built, however if the City moves forward with this path, the in-lieu fee of \$91 per net square foot should be required per our comments earlier.*

### Administration-Related:

- H. Simplify In-Lieu Fee Calculations for Ownership Projects  
*Housing Authority agrees*
- I. Implement Automatic Annual In-Lieu Fee Rate Adjustments  
*Housing Authority agrees, but adjustments should be based upon the California Construction Cost Index as explained above.*

J. Adjust Target AMI for Moderate-Income Rents from 100% to 110%  
*Housing Authority is supportive of this modification.*

Santa Barbara's housing challenges are structural, long-term, and severe. Inclusionary housing policy should be calibrated to meaningfully address community need while recognizing that feasibility models are sensitive to assumptions that evolve over time.

Thank you for your leadership on housing policy and for considering these comments.

Sincerely,

HOUSING AUTHORITY OF THE  
CITY OF SANTA BARBARA



ROB L. FREDERICKS  
Executive Director/CEO



LISA CARLOS  
Chair, Housing Authority Board of Commissioners

**From:** [Lisa Sands](#)  
**To:** [Inclusionary Housing](#)  
**Subject:** Housing - The Real Facts  
**Date:** Thursday, February 26, 2026 7:34:50 AM

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Thank you for asking for public comment regarding the above Project.

1. Affordability - the numbers here are false and without "real" evidence of what is truly "affordable."
2. Who made up "moderate income" statistics? These are not real.
3. Low Income Housing - where is any of Housing proposed for this group?
4. Poverty Level Income - where is this Housing provided? I can see none.
5. Housing Authority - where are the funds for housing under this program? I see none.

These are just the beginning of attention to these vital issues that plague Santa Barbara and frankly our State, not to mention our Nation.

Please respond. I look forward to hearing from you and attending the meeting for Public Comment.

Sincerely  
Lisa Sands

Sent from my iPhone

**From:** [Ben Romo](#)  
**To:** [Inclusionary Housing](#)  
**Cc:** [Dana Falk](#)  
**Subject:** RE: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Thursday, February 26, 2026 1:51:57 PM  
**Attachments:** [~WRD0001.jpg](#)

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Hi Dana and team.

I read the report and, full disclosure, I did not understand all of it! I think I got the gist though and have some thoughts.

The glaring issue is obviously the study's finding that the current inclusionary ordinance makes all project models infeasible. Only through state density bonus (SDB) do projects pencil. Continuing the inclusionary ordinance as it stands today will lead to no units being produced, other than SDB and larger/high end/student housing units in projects under 4 units.

The economic analysis is proof of what people in the industry have been saying for years.

It is not surprising that only through SDB do projects pencil, because it is a carrot-based approach (real density), unlike the inclusionary ordinance which is all stick.

I see how this is a real challenge for the City. SDB does a good thing by producing housing and low-income units. But it also reduces local control and allows developers to get around things that are very important to the city...like the height limit, parking, open yard, setbacks, design review, etc. Also, SDB does not prioritize missing middle/moderate, so those folks continue to be totally left out.

A more onerous inclusionary ordinance will make these already existing challenges worse. At a minimum the city should allow the in-lieu fee for projects of any size. But the amount of increase in the in-lieu fees suggested in the report seems very onerous...to the point of continued project infeasibility.

I was glad to see the study confirm that adaptive reuse (AR) projects are more expensive than new construction. I do strongly recommend the City continue to exempt AR projects in the central business district from the inclusionary ordinance entirely.

We all know the benefits of adaptive reuse (AR), but I will repeat them again. Generally, they create housing with literally no impact...the most environmentally sensitive way to do housing. They usually replace commercial uses that make the jobs/housing imbalance worse. And as the horse we beat to death can tell you, in the downtown core, AR is key to economic revitalization.

I don't think it needs more study...applying the inclusionary ordinance to AR projects will prevent those projects from happening, and developers will choose to tear down and build new using SDB = bad environmentally, reduces local control/no more height limit, and no moderate-income units/no help for the missing middle.

It is a tough nut to crack. My bottom line is this:

Allow the in-lieu fee for projects of any size  
Keep the in-lieu fee reasonable  
Continue to exempt AR projects in the CBD entirely  
Maybe it's time to exempt all AR projects  
I also think the City ought to give developers the right to do units off site – forget about the whole adjacency rule...you saw how well that went at the mall/AB project

I am sure to have more thoughts as I digest, and come to understand, the report more completely. I hope you guys do some focused discussions with developers. I hope this is also informed by the work environmental services is doing around incentives for housing projects.

While I am involved in development, I am not the best at the finance side of things. Others need to be proactively engaged.

Thanks and happy to chat if you would like.

Ben

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**From:** Dana Falk <dfalk@santabarbaraca.gov>  
**Sent:** Monday, February 23, 2026 4:45 PM  
**To:** Inclusionary Housing <InclusionaryHousing@santabarbaraca.gov>  
**Subject:** RE: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

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Thanks in advance,



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**Sent:** Thursday, January 29, 2026 2:28 PM  
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[PlanningCounter@santabarbaraca.gov](mailto:PlanningCounter@santabarbaraca.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)

**From:** [Craig Minus](#)  
**To:** [Inclusionary Housing](#)  
**Cc:** [Dana Falk](#); [Allison DeBusk](#); [City Clerk](#)  
**Subject:** FW: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Friday, February 27, 2026 9:14:47 AM  
**Attachments:** [image001.jpg](#)  
[2026.02.28 CHC Comments on Inclusionary Housing and In-Lieu Fee Study\\_FINAL.pdf](#)

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Please find the Coastal Housing Coalition's public comment letter attached.

We are available if you have any questions or prefer to discuss our comments further.

Thanks,  
Craig

---

**Craig Minus**  
*Executive Director*  
(c) 805.403.2752  
(o) 805.570.1250  
PO Box 1076 | Santa Barbara | CA 93102  
[www.coastalhousingcoalition.org](http://www.coastalhousingcoalition.org)



---

**From:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>  
**Date:** Monday, February 23, 2026 at 4:45 PM  
**To:** Inclusionary Housing <[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)>  
**Subject:** RE: Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Good afternoon all,

Reminder to send your comments on the [draft Inclusionary Housing and In-Lieu Fee Study](#) to [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov) no later than **March 1<sup>st</sup>**.

Thanks in advance,

 CITY OF SANTA BARBARA, Community Development  
[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)  
[PlanningCounter@santabarbaraca.gov](mailto:PlanningCounter@santabarbaraca.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)

Stay Engaged with this project (including public engagement and public hearings) by subscribing to email updates on the [Inclusionary Housing Requirements webpage](#).

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**From:** Inclusionary Housing

**Sent:** Thursday, January 29, 2026 2:28 PM

**Subject:** Public Review of Draft Inclusionary Housing and In-Lieu Fee Study

Good afternoon all,

Thank you in participating in conversations with the consultant (BAE Urban Economics) that informed the Inclusionary Housing and In-Lieu Fee Study.

A [draft Inclusionary Housing and In-Lieu Fee Study](#) is out for public review and staff is accepting comments. The City's Inclusionary Housing Requirements are being evaluated for possible amendments in this Study, per Housing Element Program HE-13.

The draft Study is available on the [Inclusionary Housing Requirements webpage](#). Please send your comments to [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov) no later than **March 1, 2026**.

After the public review period concludes, staff will review all received comments to inform revisions of the Study before publishing the final Inclusionary Housing and In-Lieu Fee Study in Spring 2026.

**Stay Engaged** with this project (including public engagement and public hearings) by subscribing to email updates on the [Inclusionary Housing Requirements webpage](#).

*About the Project (Inclusionary Housing Requirements)*

The City of Santa Barbara requires inclusionary housing—units at affordable prices—for multi-unit residential developments. Inclusionary housing requires a certain number of units—calculated as a percentage of total units in a development—to be sold to middle- income households or rented to moderate-income households. Staff is evaluating the current inclusionary housing requirements to inform possible amendments to these requirements and to meet Housing Element goals of creating new housing and facilitating affordable housing. The Inclusionary Housing and In-Lieu Fee Study is the first of two steps (evaluation) to implement Housing Element Program HE-13.

More information about this project can be found at [SantaBarbaraCA.gov/Inclusionary-Housing-Requirements](https://SantaBarbaraCA.gov/Inclusionary-Housing-Requirements).



CITY OF SANTA BARBARA, Community Development  
[InclusionaryHousing@santabarbaraca.gov](mailto:InclusionaryHousing@santabarbaraca.gov)  
[PlanningCounter@santabarbaraca.gov](mailto:PlanningCounter@santabarbaraca.gov)  
[SantaBarbaraCA.gov](https://SantaBarbaraCA.gov)



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Roxanna Bonderson  
Christopher Guillen  
Olivia Marr  
Krista Pleiser

February 28, 2026

Dana Falk  
Project Planner  
City of Santa Barbara  
Via Email: [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov)

**Subject: Draft Inclusionary Housing and In-Lieu Fee Study**

P O Box 1076  
Santa Barbara CA 93102  
(805) 403-2752  
[www.coastalhousingcoalition.org](http://www.coastalhousingcoalition.org)  
Fed Tax D # 20-1652456

Dear Ms. Falk:

The Coastal Housing Coalition (CHC), formed in 2005, is a non-profit organization and the voice of local employers and employees in support of workforce housing. The CHC advocates for housing available to households earning 120-200% of the area median income (AMI). Our volunteer boards consists of industry professionals including architects, planners, developers, real estate agents, and attorneys with expertise in South Coast housing. We believe that the lack of available, affordable housing near jobs is adversely affecting our region's economy, environment, and civic life, all of which will worsen if we do not address this crucial problem.

CHC appreciates the opportunity to review and provide feedback on the City's Draft Inclusionary Housing and In-Lieu Fee Study (Study) before staff finalize the Study and seek to implement it through zoning ordinance amendments. Based on our review of the Study, we have prepared detailed comments regarding its underlying assumptions and recommended improvements and would like to highlight the following high-level concerns with the Study:

**1. Since the City's existing inclusionary housing requirements worsen project feasibility, they should be reconsidered rather than expanded.**

The Draft Study acknowledges that under current market conditions, typical multifamily development prototypes are not financially feasible when utilizing the City's existing Inclusionary Housing Ordinance (IHO).<sup>1</sup> As detailed in the Study's Financial Feasibility Analysis, residential projects are only considered "feasible" when they exceed a certain profitability threshold, **which all development prototypes under the City's IHO fail to meet by a wide margin.**<sup>2</sup>

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<sup>1</sup> Draft Study, p. 7 ("Overall, this Study found that all residential development prototypes are infeasible under the Existing Program."); Draft Study, p. 30 ("No baseline prototypes utilizing the Existing Program are identified as feasible under current market conditions.").

<sup>2</sup> See Draft Study, pp. 30-32 (estimating a feasibility gap ranging from \$44-68 per square foot for ownership projects and \$53-83 per square foot for rental projects using the City's AUD program).

This is a significant finding that must guide the City's policy direction to restore feasibility to residential development projects rather than erode it. Instead, the Study recommends (1) expanding the City's IHO to apply to all rental projects with 5+ units, regardless of whether they benefit from the City's AUD program, and (2) maintaining current inclusionary housing requirements despite the clear need to reconsider them.

Accordingly, **these recommendations are unsound and divorced from the Study's own logic.** Since the City's applied its IHO to rental units under the AUD program in 2019, development of rental units utilizing the program has stalled significantly.<sup>3</sup> Expanding these inclusionary requirements to all rental projects of 5+ units, regardless of whether they use the AUD program, "would mean that non-AUD rental projects inland and all rental projects in the coastal zone would be subject to inclusionary housing requirements," which the Study acknowledges would "impact financial feasibility for rental projects not utilizing the AUD Program."<sup>4</sup> If the City's IHO already makes it infeasible to develop rental projects that utilize the AUD program, broad application of inclusionary housing requirements to all rental projects with 5+ units, without the appropriate offsets, will only worsen housing availability and affordability. An IHO that renders housing development infeasible will not generate any new units, moderate income or otherwise, or generate any new affordable housing fees for the City. Such an outcome worsens housing affordability for all.

## **2. The recommended increases to in-lieu fees are unjustified.**

Since the Study finds that all baseline prototypes are financially infeasible considering existing in-lieu fee amounts, the recommendation to increase those amounts even further and newly apply in-lieu fees to rental projects of 5+ units, regardless of whether the project uses the City's AUD program, is unjustified. Still, the Study recommends setting a new in-lieu fee of \$50 per square foot for ownership projects with 10+ units, *doubling* the existing in-lieu fee from \$25 to \$50 per square foot for rental projects with 10+ units, and setting a "lower" in-lieu fee of \$35 per square foot for rental projects with fewer than 10 units.

The Study appears to justify the recommendations regarding in-lieu fee amounts by adjusting those amounts for inflation and construction costs; however, actual rents and ownership sales have not kept with this inflation trend, so inflated in-lieu fees represent a proportionally greater amount of potential developer profit and further erode project feasibility. This is concerning given that the Study dismisses the preexisting and significant hurdles to project feasibility under the City's current IHO.<sup>5</sup> Again, all project prototypes in the Study saw a significant

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<sup>3</sup> See, e.g., AUD Incentive Program Progress Report: A Look Back on a Decade of Housing Production (2023) (noting that the inclusionary housing requirement is "one of the most disliked aspects" of the AUD program and noting that only 32 rental units using the AUD program had been proposed since application of the 2019 inclusionary housing requirement). Available at: [https://santabarbaraca.gov/sites/default/files/2023-10/AUD%20Progress%20Report\\_2023\\_Public.pdf](https://santabarbaraca.gov/sites/default/files/2023-10/AUD%20Progress%20Report_2023_Public.pdf).

<sup>4</sup> Draft Study, pp. 9, 48.

<sup>5</sup> See, e.g., Draft Study, p. 51 (stating that "[t]he financial feasibility analysis indicates that an in-lieu fee rate of \$50 per net square foot would minimally decrease financial feasibility in applicable prototypes" even though those

feasibility gap under the City's existing IHO, ranging from \$44-68 per square foot for ownership projects and \$53-83 per square foot for rental projects using the City's AUD program.<sup>6</sup> Raising in-lieu fees while maintaining existing inclusionary percentages will only render infeasible already marginal projects, reducing housing production.

**3. The IHO will promote use of State Density Bonus Law over the production of moderate income units.**

Of further concern, the Study demonstrates that State Density Bonus Law (SDBL) is structurally more compelling than the City's IHO.<sup>7</sup> SDBL restores feasibility by providing additional density, flexibility via concessions and waivers, and predictable streamlined approvals. The IHO, by contrast, imposes fixed affordability requirements without guaranteed offsets. If the City's IHO is not reconsidered to provide additional offsets and local density bonuses for moderate income units to compete with SDBL, the likely outcome is clear: **developers will structure projects under SDBL rather than rely on the City's inclusionary framework unless the City's framework is significantly improved.**<sup>8</sup>

This outcome erodes local control over housing development projects and fails to achieve the City's goal of generating more moderate and middle income housing units. By failing to provide local development incentive programs that are greater than or equal to incentive programs provided by the State, the City's current policy and recommendations appear to be inconsistent with the City's desire to obtain a pro-housing designation and to create affordable housing for all.

**4. In addition to the Study's provided analysis, other metrics should be evaluated when considering project feasibility.**

Although the Study finds that all residential prototypes under the City's IHO are infeasible, key assumptions underlying the Study suggest that financial feasibility is even *lower* than the Study currently estimates. In order to align these assumptions with the City's priorities of increasing the availability of affordable housing, we recommend the City reconsider the following assumptions to recalibrate the analysis:

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prototypes are already considered infeasible); Draft Study, p. 54 (stating that an in-lieu fee amount of \$35 per square foot for smaller rental projects would "marginally to significantly decrease financial feasibility" for the baseline prototypes).

<sup>6</sup> See Draft Study, pp. 30-32.

<sup>7</sup> Draft Study, p. 7 ("As financial feasibility is challenging for development in the current economic climate, the City has seen an uptick in the number of projects utilizing [SDBL], as it improves financial feasibility in the studied development prototypes."); Draft Study, p. 78 ("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."); *id.* ("As long as the ability to request [SDBL] waivers is in place, one applicant reported it was 'hard to imagine' using the existing Local Density Bonus Ordinance.").

<sup>8</sup> This trend is already apparent from the Study. Of the 1,899 affordable housing units in the City (including both rental and ownership), only 21% are Moderate Income (400 units). Of those 400 units, only 41 have been constructed in the last 20 years (2006 and 2011), and they are all ownership units.

- **Using Residual Land Value (RLV) to determine feasibility thresholds:** Although CHC agrees that RLV is an important measure to consider when determining feasibility, this estimate serves as a single metric and does not sufficiently capture whether a project is truly financially feasible. Accordingly, the Study should be supplemented to evaluate a project's feasibility by identifying the project's lender debt service coverage ratio (DSCR),<sup>9</sup> which typically should fall between 1.2-1.25 for the developer to reliably obtain a loan. This measure does not appear to be considered throughout the Financial Feasibility Analysis; where debt coverage is considered in estimating construction costs for the City's in-lieu fee calculations, the Study assumes a debt coverage ratio of 1.15.<sup>10</sup> Considered in tandem with RLV, including sufficient DSCR assumption in the analysis would provide a more comprehensive feasibility analysis that estimates the reasonable likelihood of successful financing of the project together with the project's reasonable land value expectation.
- **Setting a 110% AMI target:** CHC agrees with increasing the target AMI from 100%, but the 110% AMI target rate appears to be insufficient. For example, the Study indicates that more than 50% of workers in the City are above 120%.<sup>11</sup> This suggests that a target rate at 120% AMI or above is appropriate for the City to consider. Setting the rate lower would penalize the majority of workers in the City and further isolate the housing industry in order to offset hypothetical job creation from further housing development.
- **Setting a 10% developer profit margin:** Given the significant entitlement risks and construction delivery risks, including time delays, labor, cost of goods, lending fluctuations, and other hurdles developers experience in the City, a 10% profit margin is likely insufficient to incentivize development, especially of market rate projects. In CHC's conversations with developers, a 10% profit margin would be the absolute floor that would be considered: although profit margins can be lowered as the size of the project increases, the lack of sufficient lot sizes in the City for large projects preclude lower profit margins near 10%. Accordingly, This profit margin should be increased to recalibrate the Study's analysis of what is feasible in the City.
- **Estimate of hard costs:** The hard costs of a project, including development costs and operating costs identified throughout Appendix C of the Study, appear to be underestimated. These costs have risen dramatically in the last several years, outpacing rents and income. Accordingly, these costs should be recalibrated to better assess project feasibility.
- **Developer income and capitalization rates:** The Study utilizes CoStar data and interviews with developers to estimate developer income, and thus assess project feasibility, based on asking rents rather than actual rents. Additionally, while costs for goods and services have increased due to inflation, rents have not kept the same pace with inflation or the rising costs

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<sup>9</sup> DSCR is an important threshold measure to consider because a project will not be built if the project is outside of acceptable lending parameters at the time of construction. This is a case where the "tail should help wage the dog."

<sup>10</sup> See Draft Study, p. 39, Table 9: In-Lieu Fee Rates by Construction Cost Analysis.

<sup>11</sup> See Draft Study, p. 102, Table 23: Worker Household Income Level by Industry of Employment, Santa Barbara County (showing at only 3.9% of workers qualify as moderate income at 120% of AMI).

of utility services.<sup>12</sup> Accordingly, the Study likely overestimates the amount of return a developer can obtain on any of the prototypes analyzed. Since developer incomes are likely overstated by the study, the assumed capitalization rate of 4.87% is likely overestimated as well. These figures should be recalibrated to better assess project feasibility.

- **Assumptions about “Induced Housing Demand”:** The Study asserts that new market rate housing construction results in “induced demand” for lower and moderate income housing.<sup>13</sup> However, the Study ignores that new market rate housing construction has been shown to preserve or reduce rents in existing housing units, by allowing new market rate construction to absorb high-income households.<sup>14</sup> Table 26 and the Residential Nexus Analysis must be recalibrated based on the weight of the research that undermines its assumption of “induced” demand from market rate construction.
- **Residential Nexus Analysis:** The Residential Nexus Analysis purports to calculate a maximum allowable in-lieu fee based on the tenuous and hypothetical relationship between market rate housing construction and the need for affordable housing. Again, this analysis ignores that new market rate housing construction preserves or reduces rents in existing housing units. Further, this approach cannot satisfy the City’s obligation to ensure that its development fees are “roughly proportional” to its need for affordable housing, since setting fees near this maximum level will only provide a barrier that will slow the construction of any new housing, market-rate or affordable, in the City.

In summary, inclusionary requirements are often, in part, one of the variables that impact a project’s financial feasibility. This is because reduced income is obtained from this units without reducing corresponding construction costs. The result is that, if the project’s net operating income is reduced due to reduced rent, the project may fail to meet acceptable DSCR. Many projects are skinny at the front end and struggle to meet construction lending requirements, but over time, most projects can both pay down their debt service and appreciate in value. At this point in time, a project’s ability to provide inclusionary rents becomes more feasible.

Programs and policies should be considered that transfers inclusionary requirements to the point where a project has financially stabilized so that inclusionary requirements do not impact a developer’s ability to service debt. This would avoid conditions where inclusionary requirements overly burden

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<sup>12</sup> See Draft Study, p. 16, Table 2, Figure 2 (showing that, although asking rents have increased by an average of 19% from 2021-25, utility, maintenance, and other costs have risen by greater than 30% in the same period).

<sup>13</sup> See Draft Study, p. 107, Table 26.

<sup>14</sup> See, e.g., Eduardo Mendoz, The Research All Points in the Same Direction: Adding More Homes Curbs Rents for Low-Income Tenants (Feb. 17, 2026) <https://www.metroabundance.org/adding-more-homes-curbs-rent/>; Shane Philips et al., Research Roundup: The Effect of Market-Rate Development on Neighborhood Rents, UCLA Lewis Cener, (Feb. 2021) <https://www.lewis.ucla.edu/research/market-rate-development-impacts/>; Brian J. Asquith et al., Local Effects of Large New Apartment Buildings in Low-Income Areas, MIT Press Direct, [https://doi.org/10.1162/rest\\_a\\_01055](https://doi.org/10.1162/rest_a_01055).

projects at the outset while maintaining inclusionary housing over time when projects can better absorb costs.

Accordingly, CHC requests that the City consider the following **recommendations** that are more likely to achieve the City's goals:

- Calibrate inclusionary requirements to demonstrated financial feasibility.
- Provide meaningful concessions tied to inclusionary requirements, such as tying the local City density bonus program with SDBL or providing subsidies for inclusionary housing units.
- Protect small and mid-sized infill projects from disproportionate burden.
- Streamline approvals for compliant projects.
- Consider postponing existing inclusionary requirements until after the project has proven feasibility (i.e., delaying inclusionary requirements until 10+ years after project completion).
- Consider alternatives to exacting inclusionary housing requirements on housing developers, such as general fund revenues, special taxes or inclusionary fees for commercial projects, to fund affordable housing development.

Thank you for consideration of these comments. CHC appreciates the City's commitment to revising the draft Study to address public concerns and to develop policies that effectively incentivize the development of new housing supply. CHC welcomes working with the City on the Study and any implementing policies that support workforce and missing middle housing within the City.

Sincerely,



**Craig Minus**  
*Executive Director*

Copy to:

- Allison DeBusk
- Santa Barbara City Council

**From:** [Brian Cearnal](#)  
**To:** [Inclusionary Housing](#)  
**Subject:** In-Lieu fees  
**Date:** Friday, February 27, 2026 2:57:29 PM

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The report makes clear the challenges of inclusionary requirements.  
I feel in-lieu fees must be explored in depth to find ways they can work for developers and the City.  
I believe developers would prefer to pay a one-time fee rather than be burdened with years of compliance regulation and qualifying renters for affordable units.  
In-lieu fees can then be used in many different ways to effectuate affordability.  
Thank you.  
BC

**Brian Cearnal** AIA, LEED AP  
Founding Partner  
The Cearnal Collective LLP  
[521 1/2 State Street](#)  
[Santa Barbara, CA 93101](#)

t: (805) 963-8077 x 203  
m: (805) 689-4794  
e: [bc@cearnal.com](mailto:bc@cearnal.com)

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**From:** [Krista Pleiser](#)  
**To:** [Inclusionary Housing](#)  
**Subject:** SBAOR Comments re: IHO Draft  
**Date:** Friday, February 27, 2026 4:00:46 PM  
**Attachments:** [Comments on SB City Draft Inclusionary Housing and In-Lieu Fee Study 2-27-26.pdf](#)

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You don't often get email from kpleiser@sbaor.com. [Learn why this is important](#)

Greetings,

Attached are comments from the Santa Barbara Association of REALTORS? regarding the Draft inclusionary Housing and In-Lieu Fee Study. Should you have any questions, please do not hesitate to contact us. Thank you!

***Krista Pleiser, MPP, RCE***

Chief Government Relations Officer  
Santa Barbara Association of REALTORS?  
1415 Chapala Street | Santa Barbara, CA 93101  
(805) 884-8609 (Direct) | (805) 963-3787 (Main) | (805) 966-9664 (Fax)  
[kpleiser@sbaor.com](mailto:kpleiser@sbaor.com)

For more information please visit [www.sbaor.org](http://www.sbaor.org)

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Santa Barbara Association of REALTORS®

February 27, 2026

Dana Falk  
Project Planner  
PO Box 1990  
Santa Barbara, CA 93102

RE: Draft Inclusionary Housing and In-Lieu Fee Study

Dear Ms. Falk,

The Santa Barbara Association of REALTORS® (SBAOR) represents more than 1,200 REALTORS® across the South Coast who live and work in the communities they serve. Our members help families and businesses navigate housing and real estate decisions, and we work closely with local governments and community partners to advance practical, community-focused housing solutions. We share the City's goal of ensuring Santa Barbara remains a place where people can live, work, and thrive.

On behalf of the Santa Barbara Association of REALTORS® (SBAOR), thank you for the opportunity to comment on the City's Draft Inclusionary Housing and In-Lieu Fee Study ("Study"). We appreciate staff's work and the City's stated commitment to expanding housing opportunity for Santa Barbara residents.

SBAOR supports policies that increase overall housing supply and expand attainable homeownership opportunities. We share the City's goal of creating more housing options across income levels. However, any inclusionary framework should be evaluated through two essential questions: Does it measurably increase total housing production? And does it expand, rather than suppress, pathways to homeownership? Based on the Study's findings, we are concerned that the current approach does not yet satisfy either standard.

The Study itself confirms that all residential development prototypes analyzed under the existing Inclusionary Housing Ordinance (IHO) are financially infeasible. It further identifies substantial feasibility gaps for both ownership and rental projects operating under current requirements. This is a significant finding that must guide the City's policy direction. If the existing program renders housing infeasible, expanding its applicability or increasing associated costs risk further reducing production. An inclusionary program that prevents projects from being built will not generate affordable units, in-lieu fees, or moderate-income housing. It will simply result in fewer homes.

In this context, the recommendation to increase in-lieu fees to \$50 per square foot for larger projects and \$35 per square foot for smaller projects raises additional concern, particularly when baseline projects are already determined to be infeasible. While inflation adjustments are cited as justification, rents and sales prices have not increased proportionately with construction, financing, insurance, and operating costs. Raising fees in a feasibility-constrained environment risks eliminating marginal projects entirely, especially small infill and ownership housing, which are already cost-sensitive.

The Study also acknowledges that State Density Bonus Law (SDBL) improves financial feasibility and is often more attractive to applicants. Without meaningful local offsets such as automatic density increases, predictable concessions, and guaranteed streamlined approvals, developers will continue to rely on SDBL rather than the City's IHO. If the City's local inclusionary framework does not compete with state incentives, it will not generate the moderate-income production it seeks and may further diminish local control.

Beyond structural feasibility concerns, we urge the City to revisit assumptions in the Residential Nexus Analysis regarding "induced demand". Housing markets operate dynamically. A substantial body of research demonstrates that new market-rate housing can reduce rent pressure across the broader housing stock through a process known as "filtering". When new units are built, higher-income households move into them, which reduces competition for older housing. Over time, those older units become relatively more attainable to moderate-income households as they age and depreciate. This process does not eliminate the need for subsidized housing, but it is a measurable mechanism that contributes to affordability. Policies that suppress overall production risk interrupting this natural filtering effect and may unintentionally increase competitive pressure on existing housing.

We also support incorporating additional financial feasibility metrics beyond Residual Land Value. As noted in the Coastal Housing Coalition (CHC) comments, evaluating projects through more realistic Debt Service Coverage Ratios, updated hard cost assumptions, appropriate capitalization rates, and realistic developer return thresholds would provide a more accurate picture of financing viability. Projects that cannot meet lending standards will not secure financing, regardless of modeled land value.

Given these findings, we encourage the City to recalibrate its approach through a supply- and homeownership-centered lens. Santa Barbara's long-term housing stability depends on increasing total housing production, protecting small and mid-sized infill projects, and expanding attainable homeownership opportunities. Mandatory cross-subsidy models with fixed resale price controls risk suppressing condominium and townhome development which is precisely the housing types needed to expand workforce ownership and allow residents to build equity.

If inclusionary requirements remain part of the City's framework, we respectfully recommend incorporating structural safeguards to protect supply. Inclusionary standards should not reduce total unit production relative to baseline zoning capacity. Ownership housing should be afforded additional flexibility, including reduced percentages, optional in-lieu compliance, and shorter affordability control periods. The City should explore shared appreciation or equity recapture models rather than permanent resale caps to preserve long-term affordability while allowing wealth building.

Any affordability mandate should be accompanied by automatic and measurable offsets, such as fee waivers or reductions, guaranteed fast-track approvals, meaningful density and height flexibility, and fee deferral to certificate of occupancy. Small projects under 10 units should be protected from disproportionate burden through flat in-lieu options and reduced fee structures to preserve "missing middle" housing. The City may also wish to consider structuring certain inclusionary obligations in a manner that does not impair initial construction financing, for example, implementing certain affordability contributions after project stabilization.

Finally, affordable housing should not rely solely on cost burdens placed on housing producers. The City should evaluate broader funding mechanisms, including Housing Trust Fund deployment, public land contributions, commercial linkage fees, general fund allocations, and state and federal financing tools. A diversified funding strategy would better align with the City's goals while preserving feasibility.

SBAOR remains committed to working constructively with the City. We support expanding housing opportunity across income levels and believe that increasing overall supply, particularly attainable homeownership, is essential to long-term affordability. An inclusionary framework that suppresses production will worsen affordability for all. A calibrated, incentive-aligned structure that restores feasibility and expands supply can help the City achieve its goals.

We appreciate your consideration and look forward to continued collaboration.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Berger". The signature is written in a cursive, flowing style.

Jennifer Berger, 2026 President

**From:** [Janice Hubbell](#)  
**To:** [Dana Falk](#)  
**Cc:** [Jessica Wishan](#); [Lisa Carlos](#); [Susan Renehan](#)  
**Subject:** Inclusionary Fee Study Comments  
**Date:** Friday, February 27, 2026 8:45:10 PM

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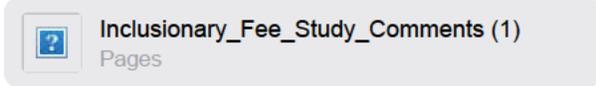
Hi, Dana -

Please let me know if you can't open the letter. It is in Pages, an Apple application.

Thank you,

Jan Hubbell  
President of the Board  
Habitat for Humanity of Southern Santa Barbara County

Open my shared document:





February 27, 2026

Re: Comments on the Draft Inclusionary and In Lieu Fee Study

Dear Ms. Falk:

Thank you for the opportunity to comment on the Draft Inclusionary and In Lieu Fee Study. Habitat for Humanity of Southern Santa Barbara County welcomes this long-awaited study, given its significant implications for affordable housing—and affordable homeownership in particular—on the South Coast. We offer four comments to strengthen the report.

### **1. Elevate the Nexus Findings—They Are the Foundation for This Entire Study**

As drafted, the report is overly oriented toward the developer perspective reflected in the feasibility discussion, while underemphasizing the broader public-interest rationale: documenting the City's affordable housing need and its obligation to address it. The nexus analysis in Appendix D should be elevated into both the Executive Summary and the opening of the existing conditions section. It provides the core legal, programmatic, and policy justification for the City's authority to require market-rate developers to provide affordable units on site or pay in-lieu fees.

Two key findings deserve a prominent place upfront:

- For every 100 new market-rate **rental** units, development creates demand for 22 additional affordable homes for very low-, low-, and moderate-income households earning below 120% of AMI (p. 105, Table 26).
- For every 100 new market-rate **condominiums**, the figure is 24 affordable homes.

If the City requires substantially less than 22–24%, new market-rate development will increase affordable housing demand faster than it helps meet it—worsening the affordability gap rather than reducing it. These concepts are barely explained in the report, yet they are foundational to its purpose.

### **2. A Higher Inclusionary Percentage Is Needed—Low-Income Households Must Not Be Left Out**

Table 26 in Appendix D reveals a critical gap: of the 22 affordable homes needed per 100 new market-rate rental units, 21 of those 22 are needed for low-income households earning below 80% of AMI. For condominiums, 23 of the 24 affordable homes needed are for those same low-income households. Yet the current inclusionary program and BAE's recommendations would still allow developers to meet their obligation by providing only moderate-income units. While it's true that moderate income units do not have a public funding source and their production behind, it is also true that we have failed to build adequate low income units, according to our Regional Housing Needs Allocation (RHNA).

For ownership housing, the City's existing inclusionary policy and BAE's proposal focuses on middle-income and upper middle-income households earning above 120% of AMI. While there may be households in Santa Barbara that would benefit from deed-restricted ownership housing, U.S. Census cost-burden data consistently shows that the most severely affected financially by the current housing crisis are households earning below 80% of AMI (County of Santa Barbara and City of Santa Barbara Housing Element Plans 2023–2032; California Housing Partnership; National Coalition on Low Income Housing). As recommended, below we believe revisiting the targeted income level for ownership housing may provide incentives for partnerships to build affordable ownership housing at lower income levels that are also in great need.

### **3. The Proposed In-Lieu Fees Are Too Low—And the Study Has No Affordability Gap Analysis for Ownership Housing**

The proposed in-lieu fees—\$35 per square foot for smaller projects and \$50 per square foot for larger ones—fall far short of what the report's own nexus analysis justifies. Table 28 (p. 110) shows that the nexus-supported fee is



\$91.41 per square foot for rental units and \$72.53 per square foot for condominiums. The recommended fees represent, at best, roughly half of what is needed for rental and two-thirds for ownership—guaranteeing that funds flowing into the Local Housing Trust Fund will fall far short of offsetting the impacts of new development.

The shortfall for ownership housing is even more concerning than it appears, because the study does not include a separate affordability gap analysis for ownership housing at all. Table 27 (p. 108) calculates the financing gap using assumptions drawn entirely from rental housing: construction costs from LIHTC applications, rental income (net operating income from rents), and 4% LIHTC equity. The condominium nexus fee in Table 28 simply applies those same rental-based gap figures to the condo demand numbers. This means the \$72.53 per square foot nexus fee for condominiums is derived from a rental financing model—not from an analysis of what it actually costs to produce affordable ownership units.

Second, and more critically for Habitat's mission, there is no LIHTC or comparable public subsidy for low-income ownership housing. LIHTC is a rental-only tool. Without it—or any equivalent—the true affordability gap for producing low-income ownership units is likely to be substantial, potentially exceeding anything shown in the rental-based analysis. The report estimates average construction costs at \$757,000 per affordable unit, with the Housing Authority estimating actual costs closer to \$1 million (p. 107). Against those figures, and without a public financing tool to close the gap, an in-lieu fee of \$50 per square foot for condominium developers is plainly inadequate to produce the affordable ownership housing that the nexus analysis says is needed.

#### 4. Include Incentives for Private-Nonprofit Partnerships

In the last two years, Habitat convened a working group to identify innovative models for building cost-effective, low-income ownership housing. [Our report](#) stemming from that work recommends that local governments encourage private-nonprofit partnerships through stronger financial incentives and greater regulatory flexibility. Two approaches could be explored and built into the City's inclusionary policy:

- **Land donation option:** Similar to State Bonus Density (SBD), developers could donate or assist with the purchase of land for a nonprofit housing provider instead of paying in-lieu fees. Because the current policy focuses on middle-income housing, this pathway does not exist today. We recommend BAE consider a land donation option in its analysis.
- **Lower inclusionary percentage for nonprofit partnerships:** Incentivize condominium developers to build low-income ownership housing by offering a reduced inclusionary requirement (e.g., 7% versus 15%) when they partner with nonprofit housing providers to build low-income units onsite. The percentage should be equal to or lower than what SBD allows, as Habitat is currently pursuing such partnerships in the County using those inclusionary formulas.

These recommendations reflect our core conviction: the City's inclusionary policy must get as close as possible to matching the scale of affordable housing needed —both in the percentage of affordable units built as part of a market rate project and/or what is paid in lieu.

Thank you for this opportunity to comment. Please feel free to reach out with any questions.

Best regards,

**Jan Hubbell**

Chair of the Board, Habitat for Humanity of Southern Santa Barbara County

**From:** [Lesley Wiscomb](#)  
**To:** [Inclusionary Housing](#); [Dana Falk](#)  
**Subject:** CORRECTED Draft Comments  
**Date:** Saturday, February 28, 2026 11:37:46 AM

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Hi Dana,

Please use this corrected version of my comments:

I'll keep my comments brief on the draft and appreciate the efforts that you and Staff have made to bring us to this long awaited point. It is clear that much hard work has gone into producing this study.

Please note that the following are in no particular order:

- Appendix B references 9 practitioners who informed the study. It is disappointing that more were not included and that the input may be influenced by market rate housing developers, especially given rate of return assumptions.
- Nearly all practitioners indicated that if given the choice, they would prefer to pay an in-lieu fee rather than provide onsite affordable housing under current requirements. Since this is the reality, we should make the fee structure fair but as high as possible to ensure affordable units may actually be built using funds in the LHTF.
- HASB's letter references the Keyser Marston study using Return on Cost framework vs the Residual Land Value methodology. For consistency and comparison sake, I think BAE should use ROC methodology as it produces higher fees, including HASB's recommendation for \$91 per net square foot. Also, I found no explanation as to why BAE selected RLV over ROC.
- I share HASB's concern with the study's analysis assuming a 10% rate of return. In the past, I have spoken with developers who have stated that 8% is do-able. To support this concern, HASB questioned why over 2,000 units of housing are pending or completed (AUD program), yet BAE supports "infeasibility" in their analysis. Therefore, I strongly support analyzing feasibility in varying rates of return from 6%-10% as HASB has recommended.
- I strongly recommend the City implement HASB's in lieu fee schedule as outlined in their letter on page 3 of 5. This will produce results closer to real construction costs.

- HASB's recommendation of using the CA Dept of General Services CA Construction Cost Index rather than the CPI is a solid one and more aligned with the reality of construction costs in California. The example they give is worthy of note and the CPI contains items unrelated to construction.
- The timing of deposit of in lieu fees is important and deposit should be made before building permit is issued. It should also be made clear the in lieu fees are strictly for deposit in the LHTF to be used as intended.

Thank you for the opportunity to comment and thank you again for all your work.

Lesley Wiscomb

**From:** [Cassandra Ensberg](#)  
**To:** [Dana Falk](#)  
**Subject:** Comments to BAE In Lieu Fees Report  
**Date:** Saturday, February 28, 2026 10:52:40 AM  
**Attachments:** [C Ensberg Comments to BAE In Lieu Fee Report.pdf](#)

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Greetings Dana!

Attached are my comments to the BAE In Lieu Fees Report - at this initial stage of study.

Thank you for all your work and the work of the others as well - I know it is a team.

Please feel free to contact me for any questions or other help that may be appropriate. I look forward to next steps.

Best regards,

Cass

Cassandra Ensberg, FAIA Architect, LEED AP  
ENSBERG JACOBS DESIGN INC  
805 455 8332  
[EnsbergJacobsDesign.com](mailto:EnsbergJacobsDesign.com)

*Working to serve the community through volunteerism and by promoting collaboration in development that includes Local Art & History, the Natural World, & Santa Barbara Style Poetic Beauty in our Built Environment!*

*This message is intended only for the individual named and may contain confidential information. If you are not the addressee, please respond via email to notify us that you have received this email by error, and please delete all email and contents permanently.*

DATE Feb 28, 2026  
TO: Dana Falk / City of Santa Barbara Community Development Department  
FROM: Cassandra Ensberg FAIA Architect, Santa Barbara, California  
RE: **BAE In- Lieu Fees Study - Initial Comments**

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Dear Ms. Falk and Team:

A big thanks for this important In-Lieu Fee study for housing development in Santa Barbara.

I support progress and adoption of a **Santa Barbara In-Lieu Fee Program (ILFP)** to bolster funding for affordable housing production and incentivize housing in general in balance with community goals.

I offer the following thoughts and comments at this initial stage of the work:

### **1. AN INITIAL QUESTION & REQUEST FOR CLARIFICATION:**

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**The Key Study Findings** on page 7 of the report under *Financial Feasibility Challenges under Existing Program* states that “all residential development prototypes are infeasible under the Existing Program.” How can a statement of infeasibility be made when we see and know of:

- recently completed projects,
- several projects now in construction,
- many projects now in the building department working toward permit?

### **2. PLEASE CONSIDER:**

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- **Balanced development is essential for success.**
- **Both costs to build and return on investment are high in Santa Barbara.** Geography and Geology (expansive soils, steep slopes, earthquake fault lines, etc.) make design to meet building and safety codes expensive, and, it is these formations that make Santa Barbara a beautiful place recognized worldwide and as a highly desirable market for investment.
- **Lack of affordable housing is the crisis and the need is now.** City data shows halfway through the current RHNA Cycle 6, **affordable levels are less than 20% of targets while market rate levels are 95% of target.**
- **Subsidies are required for Non-Profit developers** to produce 100% affordable housing - move in ready at Certificate of Occupancy. This is **the most efficient path** to affordable housing.
- **Even with State Bonus Density law**, For-Profit developers struggle to produce +/-10% affordable (one in nine market rate units) and can result in overproduction of high-cost housing and a nexus that exacerbates and furthers affordable unit need. See data above after “**the need is now**”.
- **I am hopeful that ILFP now understudy could be the solution to benefit both For-Profit and Non-Profit developers to do what they do best** in a more streamlined and balanced Santa Barbara way. **Redevelopment Agency Funding is restored and process is simplified.**
- **Integration of Affordable Housing is important and occurs naturally given** Santa Barbara’s constrained area and “built out” condition that results in primarily Infill, renovation, and adaptive reuse development. **Inclusionary housing within each development becomes less critical** and can enable more flexibility for that need given all the goals for balanced growth.



### **3. ILFP GENERAL UNDERSTANDINGS & SUGGESTIONS**

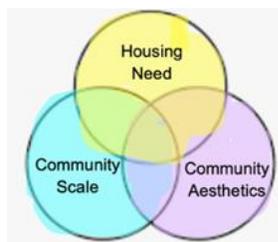
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- I understand (please confirm) that traditional **For-Profit Developers would prefer to pay In-Lieu Fees** to simplify their building program and eliminate affordable housing requirements for a long-term covenant restriction and management and annual reporting.
- It would help to **clearly state the ILFP purpose & goals** that are to provide an option of paying a fee into the SB Affordable Housing Fund in exchange for reduction or elimination of inclusionary housing in a project.
- **ILFP fee amount levels need further study and clarity of definition.**
- I suggest **workshops to further study fee ranges that would incentivize** traditional For-Profit development, **build funds** for Non-Profit affordable unit development, and **better understand** return on investment percentage differences from the KMA (Keiser Marston) and the BAE reports.
- **I support the proposed ILFP numbers / sf as starting minimums** to be further studied and considering additional affordable (nexus) units that result from market rate housing.
- **Inclusionary housing for Adaptive Reuse (AR) projects** is an important component that can have special and costly challenges (Historic Structure, Structural Work, Constrained Sites, Storm Water Management, etc.) and may be deserving of reduced ILF rates. **I encourage further study of Inclusionary Housing for AR housing projects in all Historic Districts** and consideration of the lower level In Lieu Fee option. **For all areas outside the Historic Districts, I support inclusionary housing for AR housing projects** at rates determined by a “sliding scale” to be further studied.
- **I strongly support ILFP payment as** a requirement for issuance of permit(s) deposited directly into the Santa Barbara Affordable Housing Fund and used for the sole purpose of funding Non-Profit developers in construction of 100% affordable housing.

**Thank you** for considering these thoughts and comments and for the focus on this important work. I am happy to help.



Cassandra Ensberg FAIA Architect.  
Santa Barbara, California



**From:** [Richard Closson](#)  
**To:** [Dana Falk](#); [Inclusionary Housing](#)  
**Subject:** Comments: Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Sunday, March 1, 2026 11:23:45 AM  
**Attachments:** [2026.03.01.Inclusionary In-Lieu.pdf](#)

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Dear Ms. Falk,

Attached is a PDF document with my comments on this important document. Thank you for the opportunity to express them.

Regards,  
Richard Closson, Pharm.D.  
3308 Calle Fresno ([Google Map](#))  
Santa Barbara, CA 93105-2605  
Cell (voice & text) 805.202.6535

Dana Falk, Project Planner  
City of Santa Barbara Community Development Department  
630 Garden Street  
Santa Barbara, CA 93101

Via Email Transmission: [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov) &  
[inclusionaryhousing@santabarbaraca.gov](mailto:inclusionaryhousing@santabarbaraca.gov)

Dear Ms. Falk,

This letter offers my comments on the published Draft Inclusionary Housing and In-Lieu Fee Study (“Study”). The Study and current draft report are substantial steps toward understanding the problem. I applaud the effort. I acknowledge this is a benchmark of current conditions and exploration of options, not a negotiation, but as we have seen from local news outlets, the draft is being used as the basis for debate by development advocates. The final report must be written with this in mind. The words matter.

### **1. Development and Developer Concerns are Over-Represented**

The developer megaphone is louder than that of we disorganized citizens. The primary exhibit is the Study Report’s “Appendix B: Input From Practitioners” (“practitioners,” really? That would be developers, but also the HASB lumped in). I missed the analogous section on “Input from low-income housing advocates pressing for lower profit margins or higher inclusionary requirements.”

Common citizens and residents are every City government’s direct constituency, we will continue to live here long after the developers move onto other projects in other locales, and we can be lazy in expressing ourselves (or do not have the financial incentive to participate in feedback like this, which developers consider part of the “cost of doing business”).

We frequently hear the business arguments for development that revolve around issues which, (for better or worse) are not that important to us. Citizens who live here are already “in,” either as renters or owners. Additional inclusionary housing can be an abstract

concept. It becomes more relatable when translated into numbers of restaurant staffs, grocery cashiers, and plumbers on-demand.

Developers often decry the high cost of building in Santa Barbara and seek relief from City agencies they believe will bend to their arguments. Those arguments assume the high costs of land, labor, and materials are fixed or unresponsive to complaints. Ah, but a city can be malleable and may be moved! In addition, state housing mandates pressure cities to meet expanding population quotas and developers have incorporated that into their calculus for encouraging development.

## **2. Desirability Will Always Be the Enemy of Feasibility**

While I view the state mandates as too sanitary – too far from the grubby local push-pull of their effects – they are well-intentioned from the thirty-thousand-foot view in Sacramento. On average, yes, California needs more housing. The birthrate and desirability of our state continually add new Californians who need shelter. But a statewide approach is a disservice to pockets of special desirability where housing and living costs will not respond to an economist's axiom of supply and demand.

Desirable places (I put Santa Barbara in that category) will suffer limitless demand for as long as they remain desirable. We are caught (some would say, enviably) between mountains and seashore, that limit our expansion options. Increasing supply (in this case, housing) at any price point will not meet or decrease free market demand until the place is so completely developed, it resembles many other common places and is no longer desirable. I would not like to see the parable of the goose that laid golden eggs relearned here in Santa Barbara.

- Development feasibility in Santa Barbara is inversely related to desirability. The more desirable is our City (or neighborhoods within it), the less feasible it will be to build here.
- We will never build our way into feasibility. Demand will always outstrip supply until Santa Barbara is no longer attractive. Then development will be feasible and we will be like dozens of other

### **3. Efforts to Encourage a Broad Mix of Residents Should be Among Any City's Highest Priorities**

Good mixes of ages, marital status, incomes, income sources, employment categories, ethnicities, skills, genders – you name it – will foster a healthy community in any city. The tools available to a local agency to create the desired mix may be limited, but they are not nothing.

- Regulating shelter availabilities through inducements and limitations to development can be an important tool for community health (distinct from medical health).
- Developers respond best to financial inducements, but those are not always feasible (to repurpose a developer word) for city governments reliant on tax dollars from residents or unreliable opportunities for outside funding.
- In desirable locales, new housing focused solely or mainly on market rate will lead to exclusivity where lower income (even middle income) workers are priced out; leaving upper income residents with a skeleton community devoid of supportive tradespeople and service workers.
- While it is not the role or expectation for developers to consider this concern in their calculations, it is the role of local governments to be mindful of mix. Hence, the City Council's determined interest on rent stabilization and income restricted new housing.

### **4. Local History Cannot Be Ignored**

Santa Barbara is fortunate to have built its current main commercial district on the historic core of the City's earliest beginnings. Enabled by state legislation (AB 2832, 1959), that historic core has been protected as our *El Pueblo Viejo* (EPV) Historic District. It currently is mapped for the Average Unit-Size Density (AUD) Incentive Program as a "Priority Housing" area, 37-63 du/acre. Much of the original rationale for that designation was to enable residents of the area to live close to where they work and to enjoy the amenities of downtown living.

- Because many of the jobs in a downtown are moderate- and low-wage, service-related, I would like to see an even greater percentage of inclusionary housing in our EPV than is currently

- There should be some inducement, perhaps through the inclusionary housing requirements you are proposing, for developers to consider other areas, less central and historically sensitive, in which to build.
- Wherever those new housing units end up, their residents will increase our population and the demand for services at all levels. This is not just an infrastructure issue, like a roads and utilities, but an increased demand for restaurants and shops that employ low-wage staffs. New housing at all income levels will increase the need for income-limited inclusionary housing. I would like to see that discussion appear more prominently.
- For development outside EPV, most housing projects replace existing residential units. These are often older structures and commonly affordable. Any calculation of required affordable naturally occurring affordable housing it replaced.

## 5. Challenge Builders' Assumptions as Fact

I acknowledge that infrastructure development can be (must be) based on close attention to financial outcomes. Developers need investors who demand some credible projections of profitability. As a result, project proposals include a lot of researched numbers. Successful developers are good at numbers.

My sense as a non-economist citizen is that we give inordinate credence to developer numbers. That sense is not based on research or science, it's just a nagging suspicion I hold, even after the City hired outside financial analysts who largely concurred with developers on the Paseo Nuevo project. (My recollection could be wrong.) With that in mind, page 80 of the Study report draft states:

- “Developer Profit: Real estate development has higher risk compared to many other types of investment activity, so developers tend to seek higher profit threshold(s) on real estate projects than other investment options ...” That axiom may

development in Visalia, but Santa Barbara is not that.

Building new housing in an established desirable locale carries less risk due to the proven history of continued value increases. Using Santa Barbara as the example, it may be reasonable to

paraphrase a line from “Field of Dreams” (1989), “If you build it, they will come.” We have seen that time and again.

- Lowered developer profit thresholds (with proper explanation to investors for a reasonable return) could allow for an increased percentage of proposed units as inclusionary.
- Developer expectations (and representations to investors) of 15% profit – or even 10% – seem to be an excessive goal in a prime location like Santa Barbara.

## 6. Discuss a Zero Financing Gap Option

Appendix D: Residential Nexus Analysis and the accompanying tables delve into the details of the expected residents occupying the new residential units. *(Insert applause here for good work)* Page 105 of the Study draft report calculates the “Affordable Housing Financing Gap.” I believe there should be no gap. If I understand correctly, any financing gap must be offset by public funding (taxes) or unpredictable outside funding.

- Perhaps there could be a separate calculation with zero financing gap as the starting point. The figures in Appendix D could be reverse engineered to eliminate any anticipated gap that rests on the shoulders of the host city, i.e., Santa Barbara, and its taxpayers. Anything less shifts the financing burden from the developer and investors to the local citizenry for whom the only benefit would seem to be compliance with state mandates.
- As a thought outside the scope of this study, perhaps market rate units built in projects with an acknowledged “financing gap” should be subject to an additional local annual surtax on

gap.

Thank you for the opportunity to comment on this draft report and the obvious work behind it. I look forward to following the discussion and approval process in the future.

Sincerely,



Richard G. Closson  
3308 Calle Fresno  
Santa Barbara, CA 93105

**From:** [Patricia Saley](#)  
**To:** [Dana Falk](#)  
**Cc:** [Inclusionary Housing](#); [Patricia Saley](#)  
**Subject:** Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Sunday, March 1, 2026 1:43:43 PM

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You don't often get email from [patriciawsaley@gmail.com](mailto:patriciawsaley@gmail.com). [Learn why this is important](#)

Dear Ms. Falk,

Thank you for the opportunity to comment on the Draft Inclusionary Housing and In-Lieu Fee Study. I followed the Housing Element Update process and have high hopes that this study will lead us to more housing production, especially in the low and very low income categories. I have several comments for your consideration:

**1. This important draft study should have a public hearing before the Planning Commission or other relevant board or commission.** As it is, I only heard about its existence from friends who are concerned about providing housing for all income groups that are vital to our community. If this study were scheduled on an agenda, I and probably many others would've seen that it existed and would provide comments. It seems that "input from practitioners" received a lot of ink in this study and hearing from the general public would provide some different perspectives that are also valid. We all have the same goal of providing the best information to decision makers to improve our city. If a public hearing before a board or commission is planned before this study is considered by the City Council, please disregard this comment.

**2. The study should use a range of return options, not just 10%.** As I recall, the low range of return used in the well regarded Keyser-Marston Study was 6% and that should be included here. Virtually all studies done by the City include a range of options and this study should not be an exception to that. Regardless, I suggest the study include a robust explanation of its economic assumptions.

**3. Nexus analysis in Appendix D (p. 98) should be in Executive Summary and in the body of the report as it's very important.** My reading of this appendix is that it gives the developers' perspective at the expense (pun?) of the community's, especially lower wage earners. The data in this appendix is crucial to the discussion of the demand generated by the new market rate units themselves. To my recollection, this was first raised in the Keyser-Marston Study and should be addressed here (see next comment).

**4. Study should thoroughly address additional demand from new market rate housing and the loss of "Naturally Occurring Affordable Units" -** The report estimates the additional demand that the new market rate units will create for affordable housing, e.g., baristas, hair stylists, restaurant servers, office workers, medical staff, etc., none of whom are typically well paid. The City's existing inclusionary and in lieu requirements do not adequately offset this demand, thus creating a net reduction in housing for lower income groups. In addition, the City's policies relating to the loss of Naturally Occurring Affordable Units, which tend to house very low income residents, is not terribly effective. Two recent projects illustrate this point: One near the 200 block of East Haley St. and the other the Milpas/Gutierrez project that would remove approximately eleven units mostly inhabited by seniors. I'm sure relocation costs were covered by the developers and I recall it was argued that there were about the same number of price controlled units in the new developments, but that still leaves us with a net zero increase in affordable units. And that's before the additional demand from the new market rate units is factored in. We continually fall behind in providing housing for low through moderate income households who are so important to our community.

**5. The cost of land should be an important consideration although it appears it was not factored in.** Land cost is a major factor in high-demand, nearly built out coastal communities like Santa Barbara. New development is almost guaranteed to turn a handsome profit and appreciate in value over time. As I read the draft study, this reality was not factored in. The study should also factor in appreciation of land values which is also a given in Santa Barbara.

6. **In lieu fees** - It's really interesting that the study (p. 6) says 2019 existing fees of \$25/SF if indexed for inflation would now be \$31.72. I'm glad to see that the per net SF fee is proposed to increase to \$35 or \$50, although the reality is those amounts are still inadequate to meet the existing and project-related demand. This is true for rental as well as ownership units that generate even more affordable demand per the nexus analysis in Appendix D. Table 28 (p. 110) shows that the nexus-supported fee is \$91.41 per square foot for rental units and \$72.53 per square foot for condominiums. The recommended fees represent, at best, roughly half of what is needed for rental and two-thirds for ownership—guaranteeing that funds flowing into the Local Housing Trust Fund will fall far short of offsetting the impacts of new development.

**7. I believe that the comment period for the study should have ended on a work day and not on a Sunday.** I am writing this on Sunday, March 1st when I'd much rather be doing something fun outside with my family. Everything else in government is based on business days and having one extra day to comment would've been appreciated.

Thank you, again, for the opportunity to comment on this important study.

Patricia Saley, AICP

**From:** [john.campanella](#)  
**To:** [Inclusionary Housing](#)  
**Subject:** Fwd: Public Comment - Draft Inclusionary Housing and In-Lieu Fee Study  
**Date:** Sunday, March 1, 2026 2:59:44 PM  
**Attachments:** [Public Comment - Draft Inclusionary Housing and In-Lieu Fee Study - March 1, 2026.docx](#)  
[Public Comment - Draft Inclusionary Housing and In-Lieu Fee Study - March 1, 2026 \(Attachment\).pdf](#)

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**To:** The City of Santa Barbara Community Development Department

**Re:** Public Comment - Draft Inclusionary Housing and In-Lieu Fee Study

All:

My comments are attached.

Thank you for considering.

John Campanella

March 1, 2026

To: City of Santa Barbara Community Development Department

Via Email: [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov)

Re: Public Comment – Draft Inclusionary Housing and In-Lieu Fee Study

Dear Community Development Department:

The Draft Inclusionary Housing and In-Lieu Fee Study provides substantial analysis regarding project feasibility based upon residual land value. However, I feel that one important issue has not been addressed enough: the impact on market-rate renters who ultimately subsidize moderate-income units under the current inclusionary program.

In a 10-unit rental project, one moderate-income unit is required. Based on the Study's numbers from Table 3, that moderate unit requires a subsidy of roughly \$1,700 to \$2,100 per month, depending on unit size. Spread across the remaining nine market-rate units, that equates to approximately \$200 per month added to each unit's housing cost. (See Attachment.)

As another example – a 16-unit rental project, where fractional units are rounded up to two moderate units, the burden increases further. Spread across the remaining fourteen market-rate units, the per-unit subsidy rises roughly from \$250 to \$300 per month. That is a significant cost shift to market renters.

If market rents are pushed beyond what the market can support, projects will simply not be feasible. When projects do not pencil, they do not get built. And when they do not get built, we lose both market-rate and affordable units.

The Study appropriately recommends exploring additional subsidy sources such as density bonus units and adjusting the target income level to 110 percent of area median income. These tools can reduce the direct subsidy burden within the project itself.

In-lieu fees, if carefully calculated, may also offer a more efficient alternative. However, they must be set at levels that preserve feasibility. Excessive up-front fees will only require higher rents and further constrain production.

Before final recommendations are approved, I strongly encourage the City to re-engage with developers to ensure that policy goals align with financial realities.

If we want more housing at all income levels, feasibility must remain central to the conversation.

Thank you.

John Campanella

Attachment

Draft Inclusionary Housing and In-Lieu Fee Study

Public Comment (Attachment)

March 1, 2026

Under the City of Santa Barbara's current Inclusionary program, moderate income rentals are subsidized by market rentals.

Requiring rents over market would limit the ability for a project to be feasible.

Illustrated below is the subsidy required for a moderate rent unit compared to market housing costs.

These rents are taken from Table 3 on page 18 in the Study.

Each market rate rental in a 10 unit project would pay about a \$200 per month subsidy in addition to its housing costs.

Rounding up fractional units (e.g. 16 unit project) would increase the subsidy needed from each market unit.

More moderate units would need subsidy. There would now be fewer market units to subsidize each moderate unit.

<b>10 Unit Project No Rounding</b>	Table 3 (Page 18) Total Market Rate Housing Costs	Table 3 (Page 18) Moderate 100% Target	= Subsidy Required for Moderate 1 Unit	= Subsidy Required from Market Rate 9 Units
Studio	\$ 3,656	\$ 1,700	\$ 1,956	\$ 217
1 BR	\$ 3,865	\$ 2,124	\$ 1,741	\$ 193
2 BR	\$ 4,535	\$ 2,549	\$ 1,986	\$ 221
3 BR	\$ 4,985	\$ 2,833	\$ 2,152	\$ 239

<b>16 Unit Project Rounded Up</b>	Table 3 (Page 18) Total Market Rate Housing Cost	Table 3 (Page 18) Moderate 100% Target	= Subsidy Required for Moderate 2 Units	= Subsidy Required from Market Rate 14 Units
Studio	\$ 3,656	\$ 1,700	\$ 3,912	\$ 279
1 BR	\$ 3,865	\$ 2,124	\$ 3,482	\$ 249
2 BR	\$ 4,535	\$ 2,549	\$ 3,972	\$ 284
3 BR	\$ 4,985	\$ 2,833	\$ 4,304	\$ 307

As recommended in the Study other sources of subsidy should be utilized, e.g. bonus units and target income of 110%.

In-lieu fees, if reasonably calculated, might present a more economical option for developers and market renters.

In-lieu fees are an up-front project cost that requires additional rents, so excessive in-lieu fees would not be feasible.

Developers should again be consulted on how to best make projects feasible, before final recommendations are approved.

**From:** [Lucille Boss](#)  
**To:** [Dana Falk](#)  
**Cc:** [Devon Wardlow](#)  
**Subject:** Re: INFO: Correspondence from Dana Falk, Project Planner  
**Date:** Monday, March 2, 2026 7:38:22 AM  
**Attachments:** [DRAFT Inclusionary Housing and In-Lieu Fee Study Public Review 2026.pdf](#)

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Good morning!

I'm sending the study with my complete comments, but my main questions/comments:

- can you remind me why rental projects not using the AUD program are not subject to incl reqs?
- a few of the sections sound like a capitalistic market rate developer wrote them - can we make the statements more objective?
- the sample proformas seemed to be missing a lot of detail
- why did we use RLV (which I'm having trouble calculating) vs ROI?
- please list all 9 practitioners who were consulted (the PHA is the only one listed, in App B)

I'm sure you're compiling a lot of comments, so no need to respond in detail - these were just my initial thoughts, but I know PC will see a revised version.

Warmly,  
Lucille

Lucille Boss (she, her, hers | ella) [lucilleboss@me.com](mailto:lucilleboss@me.com) 805.637.5129

On Feb 24, 2026, at 3:50 PM, Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)> wrote:

Hi again,

Just following up on scheduling a meeting tomorrow, 2/25 at 8am, for the Inclusionary Housing Study.

I'm in the office until 5pm today; if I hear back before I leave then we can do the 8am meeting. Otherwise, it'll have to be in the afternoon (2:30pm), or we'll have to find another day/time.

**Dana Falk, AICP**  
*Project Planner*  
CITY OF SANTA BARBARA, Community Development  
(805) 564-5470 x4556 | [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)

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**From:** Dana Falk  
**Sent:** Tuesday, February 24, 2026 10:08 AM  
**To:** 'Lucille Boss' <[lucilleboss@me.com](mailto:lucilleboss@me.com)>; Devon Wardlow <[devonw88@gmail.com](mailto:devonw88@gmail.com)>  
**Subject:** RE: INFO: Correspondence from Dana Falk, Project Planner

**Devon**, does 8am on Wed 2/25 (tomorrow) work for you? I'll send a Teams invite if so.

I'm available either time on 2/25 (8-8:30am, 2:30-3pm)—as is Rosie. Allison can meet at 8am.

Alternatively, 3/2 is not too late as long as you send me your comments that same day (so I can incorporate them in my review of the other comments on Tues 3/3). But I'm the only one available to meet at any of the listed times.

**Dana Falk, AICP**

*Project Planner*

CITY OF SANTA BARBARA, Community Development  
(805) 564-5470 x4556 | [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)

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**From:** Lucille Boss <[lucilleboss@me.com](mailto:lucilleboss@me.com)>

**Sent:** Tuesday, February 24, 2026 9:43 AM

**To:** Devon Wardlow <[devonw88@gmail.com](mailto:devonw88@gmail.com)>

**Cc:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>

**Subject:** Re: INFO: Correspondence from Dana Falk, Project Planner

Hi again,

I have a couple of small windows this week, and more time on Monday if that's not too late:

2/25 8-8:30 or 2:30-3

3/2 10am-1pm, 2-2:30, or 3:30-4

Let me know if any of those work for you two?

Lucille Boss (she, her, hers | ella)

805.637.5129

Sent from my iPhone

On Feb 24, 2026, at 9:22 AM, Devon Wardlow <[devonw88@gmail.com](mailto:devonw88@gmail.com)> wrote:

Thank you Dana. Lucille - i'd like to meet with Dana with you so let us know some times that work for you? Thank you both!

On Tue, Feb 24, 2026 at 8:23 AM Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)> wrote:

Are there a few times that work for the two of you that I can try to squeeze into staffs' schedules?

My schedule has some flexibility– I can also be available over lunch (except Wednesday).

Times outside those I listed may only be meeting with me, since Rosie and Allison have much more impacted schedules.

**Dana Falk, AICP**

*Project Planner*

CITY OF SANTA BARBARA, Community Development  
(805) 564-5470 x4556 | [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)

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**From:** Lucille Boss <[lucilleboss@me.com](mailto:lucilleboss@me.com)>  
**Sent:** Tuesday, February 24, 2026 8:16 AM  
**To:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>  
**Cc:** Devon Wardlow <[devonw88@gmail.com](mailto:devonw88@gmail.com)>  
**Subject:** Re: INFO: Correspondence from Dana Falk, Project Planner

Dana,

Thank you! I unfortunately have commitments during the times you listed, but Devon may be available and can pass along my questions.

Lucille

Lucille Boss (she, her, hers | ella)

805.637.5129

Sent from my iPhone

On Feb 24, 2026, at 7:53 AM, Dana Falk

<[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)> wrote:

Good morning Lucille,

Yes, we can meet to go over the Study. We tried to make the recommendations as distinct as possible, but there are some overlapping recommendations or ones that would be better implemented in tandem.

Here are a few times for this week—we can meet in person (at 630 Garden) or virtually. Allison and Rosie are (currently) available these times and may also be able to attend.

1. Wed 2/25, 1-2pm
2. Wed 2/25, 3:30-4:30pm
3. Thurs 2/26, 3-4pm
4. Fri 2/27, after 10am

**Dana Falk, AICP**

*Project Planner*

CITY OF SANTA BARBARA, Community Development  
(805) 564-5470 x4556 | [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)

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**From:** Lucille Boss <[lucilleboss@me.com](mailto:lucilleboss@me.com)>

**Sent:** Monday, February 23, 2026 8:23 PM

**To:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>

**Cc:** Devon Wardlow <[devonw88@gmail.com](mailto:devonw88@gmail.com)>

**Subject:** Fwd: INFO: Correspondence from Dana Falk, Project Planner

Hi Dana,

I hope your week is going well! Devon and I are reading the current draft of the Study, and we're having trouble understanding the (sometimes conflicting?) recommendations. We know you plan to make edits after the public comment period ends, but would it be possible for us to meet with you to make sure we are reading/understanding the recommendations in the current draft? It may help us make public comment ourselves.

Thank you in advance,

Lucille

Lucille Boss (she, her, hers | ella) [lucilleboss@me.com](mailto:lucilleboss@me.com) 805.637.5129

Begin forwarded message:

**From:** Community Development PC Secretary  
<[pcsecretary@SantaBarbaraCA.gov](mailto:pcsecretary@SantaBarbaraCA.gov)>

**Subject: INFO: Correspondence from Dana Falk,  
Project Planner**

**Date:** Jan 28, 2026 at 3:00 PM

**To:**

**Cc:** Rosie Dyste <[rdyste@SantaBarbaraCA.gov](mailto:rdyste@SantaBarbaraCA.gov)>, Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>, Megan Arciniega <[marciniega@santabarbaraca.gov](mailto:marciniega@santabarbaraca.gov)>, Krystal Vaughn <[kvaughn@santabarbaraca.gov](mailto:kvaughn@santabarbaraca.gov)>

Good afternoon Commissioners,

Please see the below correspondence from Dana Falk,  
Project Planner.

Thank you,



**Jasper Carman**

*Commission Secretary*

CITY OF SANTA BARBARA, Community Development  
(805) 560-7543 | [JCarman@SantaBarbaraCA.gov](mailto:JCarman@SantaBarbaraCA.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)

**The Community Development and Public Works [counters](#) at 630 Garden Street are open for walk-in service Monday, Tuesday, Thursday from 8:30AM - 12:00PM, and Wednesday 8:30AM - 5:00PM. Online [application submittal and permitting, virtual counter services](#), and the self-service lobby area continue to be available during regular business hours, Monday – Thursday and every other Friday, 8:30AM – 4:30PM. Please visit our websites for additional information.**

**Community**

**Development:** [SantaBarbaraCA.gov/CommunityDevelopment](https://SantaBarbaraCA.gov/CommunityDevelopment) |

**Public Works:** [SantaBarbaraCA.gov/PublicWorks](https://SantaBarbaraCA.gov/PublicWorks)

**Virtual Appointment Scheduling Tool:**

[SantaBarbaraCA.gov/VirtualAppointment](https://SantaBarbaraCA.gov/VirtualAppointment)

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**From:** Dana Falk <[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)>  
**Sent:** Wednesday, January 28, 2026 12:52 PM  
**To:** Jasper Carman <[JCarman@SantaBarbaraCA.gov](mailto:JCarman@SantaBarbaraCA.gov)>  
**Cc:** Rosie Dyste <[rdyste@SantaBarbaraCA.gov](mailto:rdyste@SantaBarbaraCA.gov)>  
**Subject:** RE: Email to PC members about Inclusionary Housing Study

Planning Commissioners,

A [draft Inclusionary Housing and In-Lieu Fee Study](#) was released this week for public review and comments.

Please send your comments to [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov) no later than **March 1, 2026**. If you'd like to schedule a one-on-one meeting with staff to discuss your review and comments, please contact Dana Falk (meeting prior to Feb 26<sup>th</sup>).

After the public review period concludes, staff will review all received comments to inform revisions of the Study before publishing the final Inclusionary Housing and In-Lieu Fee Study in Spring 2026. The final study will be brought to Planning Commission and City Council in public hearings for guidance to staff in crafting the zoning ordinance amendments.

More information is available on the [Inclusionary Housing Requirements webpage](#).

**Dana Falk, AICP**  
*Project Planner*  
CITY OF SANTA BARBARA, Community



Development  
(805) 564-5470 x4556 |  
[dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)

**From:** [Maricela Morales](#)  
**To:** [Dana Falk](#); [Inclusionary Housing](#)  
**Subject:** City of SB Input Inclusionary/In-Lieu Fee Study  
**Date:** Monday, March 2, 2026 12:55:21 PM  
**Attachments:** [The Home Team Input Inclusionary & In-Lieu Fee Study March2026 p1.jpg](#)  
[The Home Team Input Inclusionary & In-Lieu Fee Study March2026 p2.jpg](#)

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Dear Dana,

Please see attached two-page input letter and thank you for this opportunity to provide input.

Sincerely,

Maricela Morales MA ICF  
Director, The Home Team SBC  
[Maricela@thehometeamsbc.org](mailto:Maricela@thehometeamsbc.org)  
805-217-7321 *text preferred*



March 2, 2026

Dana Falk, Project Planner  
City of Santa Barbara Community Development  
630 Garden Street  
Santa Barbara, CA 93101  
Via Email: [dfalk@santabarbaraca.gov](mailto:dfalk@santabarbaraca.gov); [inclusionaryhousing@santabarbaraca.gov](mailto:inclusionaryhousing@santabarbaraca.gov)

RE: Inclusionary/In-Lieu Fee Study

Dear Ms. Falk,

Thank you for your and your team's work on this very important matter. The City of Santa Barbara ("City") is far behind all other cities throughout the county in meeting the affordable housing needs of its residents.

The City of Santa Barbara's lack of affordable housing was exasperated during the immediate past RHNA Cycle (02/2015-02/2023)<sup>1</sup>. The City of Santa Barbara, at the end of the RHNA 5<sup>th</sup> Cycle positioned the City unfavorably, not only locally, but also in comparison to the state of California as a whole:

% AMI	Statewide	City of SB	County Uninc	Santa Maria
Very Low	21 %	12 %	43 %	20 %
Low	31 %	16 %	218 %	271 %
Moderate	56 %	2 %	372 %	107 %
> Moderate	144 %	98%	418 %	64 %

Now, during the current RHNA 6<sup>th</sup> Cycle (2023-2031)<sup>2</sup>, the City has one-third or more of the entire county's affordable housing unit needs:

% AMI	City of SB	% Countywide
Very Low	2,147	37 %
Low	1,381	35 %
Moderate	1,441	33 %

<sup>1</sup> [https://hacsb.org/wp-content/uploads/2024/09/HACSB\\_FiveYearPlan2024\\_FINAL.pdf](https://hacsb.org/wp-content/uploads/2024/09/HACSB_FiveYearPlan2024_FINAL.pdf) (pg.16)

<sup>2</sup> [https://sbfoundation.org/wp-content/uploads/2023/10/Santa-Barbara-Foundation\\_HousingReport\\_Interactive\\_101123.pdf](https://sbfoundation.org/wp-content/uploads/2023/10/Santa-Barbara-Foundation_HousingReport_Interactive_101123.pdf) (pg. 18)

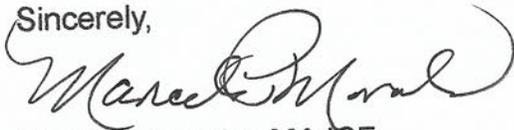
The City of Santa Barbara needs policy tools that actually result in affordable housing for City residents, including children, and the people who the City relies on to work the jobs essential to the local economy. Both inclusionary housing requirements and in-lieu fees are necessary policy tools.

Specifically, in alignment with recommendations by the Housing Authority of the City of Santa Barbara, The Home Team of Santa Barbara County, recommends:

- Apply inclusionary requirements to all rental projects with 5+ units
- Maintain current inclusionary housing requirements of the base onsite requirement of 10%
- An in-lieu fee of \$73 per net residential square foot for projects partially satisfying inclusionary obligations through fee payment.
- A higher in-lieu fee of \$91 per net residential square foot where a project does not provide onsite inclusionary units.
- For small projects of "Small: Rental and Ownership" projects, an in-lieu fee rate of \$50 per net square foot
- Indexing future in-lieu fee adjustments to the California Department of General Services (CDG) California Construction Cost Index (CCI).
- In-lieu fees to be collected prior to or concurrent with the issuance of building permits.

Incorporating the above recommendations, the City stands a chance at housing the City's residents, employees and citywide workers, without whom, there is no City.

Sincerely,



Maricela Morales MA ICF

Director

maricela@thehometeamsbc.org

**From:** [Ivonne Schley](#)  
**To:** [Inclusionary Housing](#)  
**Cc:** [Ellen Bildsten](#); [Detty Peikert](#)  
**Subject:** AIA Santa Barbara | Inclusionary Letter  
**Date:** Monday, March 2, 2026 2:46:26 PM  
**Attachments:** [Inclusionary Study - AIASB comment letter 2026-02-27-2.pdf](#)

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You don't often get email from [ivonneschley@aiasb.com](mailto:ivonneschley@aiasb.com). [Learn why this is important](#)

Dear Community Development Staff,

Please see the attached Inclusionary Letter from our Advocacy Committee.

Best,  
**Ivonne Schley**

Executive Director

American Institute of Architects

Santa Barbara

229 E. Victoria St, Santa Barbara CA 93101

O: 805.966.4198 | M: 805.618.5711

[ivonneschley@aiasb.com](mailto:ivonneschley@aiasb.com)

[AIA Santa Barbara](#)



February 27, 2026

TO: City of Santa Barbara Community Development Department  
VIA: [InclusionaryHousing@SantaBarbaraCA.gov](mailto:InclusionaryHousing@SantaBarbaraCA.gov)  
RE: Public Comment - DRAFT Inclusionary Housing and In-Lieu Fee Study

Dear Community Development Staff,

On behalf AIA Santa Barbara, please accept the following comments on the DRAFT Inclusionary Housing and In-Lieu Fee Study prepared by BAE Urban Economics (dated January 13, 2026). AIASB supports the City's commitment to expanding affordable housing stock and the City's efforts to meet Regional Housing Needs Allocation (RHNA) requirements. We recognize the critical need for moderate-, middle-, and upper-middle-income housing in Santa Barbara and we understand the intent of inclusionary housing as an important tool in achieving that goal.

At the same time, we appreciate that this Study candidly acknowledges a central challenge: all residential development prototypes evaluated were found infeasible under the existing program. This finding is significant. In a high-demand, high-cost, high-risk development environment with elevated interest rates and construction costs, if inclusionary requirements are to be implemented they must be structured to:

- Avoid deterring otherwise feasible housing projects
- Produce affordable units and/or meaningful in-lieu revenue
- Support RHNA compliance through overall production
- Reduce the impact to rents on market rate units in projects where inclusionary requirements apply, noting that Table 3 (p.18) identifies that market rate unit rents rise to subsidize inclusionary units

If projects do not pencil, neither market-rate nor affordable units will be built.

### **Key Findings We Believe Warrant Careful Consideration**

#### Financial Infeasibility Under the Existing Program

The Study's finding that all prototypes are infeasible under current inclusionary requirements is deeply concerning and certainly raises questions as to viability and logic. Even in strong rent and sales markets, the financial feasibility analysis indicates:

- Small projects are particularly constrained
- Larger projects face feasibility challenges absent State Density Bonus Law (SDBL)

- Feasibility improves when SDBL is used, but that often requires concessions, waivers, and greater height/bulk and limited local control

We urge the City to treat this finding as foundational. Inclusionary policies that are not economically supportable risk suppressing both market-rate and affordable production.

#### Construction and Financing Cost Escalation Since 2019

While the current \$25/sf rental in-lieu fee has not kept pace with inflation, before fees are raised it is important to consider:

- Construction costs have increased over 40% since 2020
- Interest rates remain elevated, impacting project feasibility
- Insurance and labor costs continue to rise

#### Inclusionary Policy Must Be Calibrated to Market Cycles

Inclusionary housing works best when market-rate projects are financially viable. During periods of high interest rates, elevated construction costs, and increased insurance costs, overly aggressive requirements suppress total production. We encourage the City to:

- Revisit feasibility every 2–3 years
- Track permits, starts, and completions closely
- Be prepared to recalibrate if production declines

#### Small Project Sensitivity

Small infill projects are often desired and delivered by local owners and builders and are a critical part of incremental housing production. We anticipate most if not all small project applicants would prefer to pay an in-lieu fee rather than navigate the logistics of providing restricted affordable housing. The Study notes that small projects (<10 units) are less feasible on a per-square-foot basis due to lack of economies of scale. We recommend adopting a significantly lower in-lieu rate for small projects.

- Consistent with State law, continue to exempt ADU/JADU projects from inclusionary requirements. These are popular options for meeting housing needs, likely because there is no inclusionary requirement or in-lieu fee
- Whether 9 units is an appropriate threshold
- Whether additional flexibility is warranted for projects with particularly constrained sites

#### Give Strong Consideration to Appendix B – Input From Practitioners

Appendix B has valuable input on housing development feasibility. The people that build housing are informing us that in-lieu fees are preferable. We believe the message is that affordable housing developers are best suited to plan, finance, develop, populate, and manage restricted affordable housing units. Re-consider floor-area-ratio as a regulatory tool that would result in more housing units than regulating maximum average unit size. Consider relaxing Tier 4 stormwater requirements to provide flexibility in applying those requirements which in their current form negatively impact the financial feasibility of projects.

Apply Inclusionary Requirements to All Rental Projects with 5+ Units

Expanding inclusionary requirements to Coastal projects and non-AUD rental projects represents a significant policy shift. Given that the Study finds baseline prototypes infeasible under existing rules, expanding applicability without first ensuring feasibility may discourage projects from proceeding at all or result in more SDBL projects with less local control.

Maintain Current Inclusionary Percentages (10% Rental / 15% Ownership)

We appreciate that the Study does not recommend increasing inclusionary percentages. Given current feasibility findings, we strongly agree that increasing the required percentages would be counterproductive. Since ownership housing is such an important type that should be encouraged for community stability and resilience, we recommend reducing the inclusionary requirement for ownership to no more than 10%.

Set \$50/sf In-Lieu Fee for 10+ Unit Projects

A sharp fee increase during a constrained capital market cycle may further delay projects. Please consider:

- A jump from \$25/sf to \$50/sf represents an excessive 100% nominal increase
- Even accounting for inflation, this is materially higher than indexed CPI adjustments
- The feasibility analysis shows projects already face constraints

Count Rental Inclusionary Units as Bonus Density

This is required by State law, and as such the City must follow through with this recommendation if it does not intend to do so already. This is one of the most important feasibility-balancing tools proposed. Allowing rental inclusionary units to count as bonus density:

- Improves project economics without direct subsidy
- May reduce reliance on SDBL waivers
- Encourages onsite production rather than fee payment
- Allows expanded in-lieu options

Option G.1 – Allow In-Lieu for Fractional Units

We believe this approach:

- Improves predictability
- Avoids inefficient rounding requirements
- Reduces distortions in small-to-mid-size projects

Option G.2 – Allow In-Lieu for All Units (Up to \$72/sf)

We support expanding in-lieu eligibility and getting funds in the hands of actual affordable housing developers. But we urge caution with regard to higher in-lieu fees, which may:

- Render many projects infeasible
- Function effectively as a production deterrent

#### Simplify Ownership In-Lieu Calculations

We support simplifying formulas and aligning ownership and rental fees on a per-square-foot basis to improve transparency and predictability.

#### Automatic Annual Adjustments

Any index chosen to avoid long gaps between updates should reflect actual construction cost trends, and a cap on annual increases (e.g., 3–5%) should be considered to avoid sudden market shocks.

#### Adjust Moderate-Income Target to 110% AMI

We support aligning with State methodology. Using 110% AMI for Moderate-Income rent calculations:

- Improves financial feasibility modestly
- Aligns with statewide standards
- Maintains meaningful affordability

#### Production Matters for Affordability

The goal should be maximizing both market-rate and deed-restricted output. If fewer projects move forward:

- Fewer units are produced
- Fewer in-lieu fees are collected
- RHNA targets become harder to meet
- Supply continues to be constrained

#### Consider Complementary Tools

To strengthen feasibility while maintaining inclusionary requirements, the City should consider:

- An in-lieu fee program that results in resources being allocated to experienced affordable housing providers and removes regulatory burdens from traditional developers
- Do not apply inclusionary requirements to SDBL projects
- Additional height or FAR incentives
- Parking flexibility
- Reduced processing timelines
- Fee deferrals

AIA Santa Barbara strongly supports affordable housing production and guardedly supports inclusionary housing as a key policy tool. The Study's central finding - that model prototypes are infeasible under the existing program - must guide implementation decisions. We urge the City to:

- Continue to get input from housing developers and property owners
- Prioritize feasibility alongside affordability
- Consider an in-lieu fee requirement as an option
- Phase-in fee increases
- Support small-project viability

- Support flexibility to adapt to unique project and economic conditions
- Provide clarity on how in-lieu fees are used
- Implement density and administrative reforms
- Monitor outcomes closely

A well-calibrated inclusionary program can produce affordable units while sustaining overall housing production. We appreciate the City's thoughtful analysis and the opportunity to provide comments. AIASB Advocacy looks forward to further collaboration with the City on this important work to create housing for our community.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line that ends in a small dot.

Robert Ooley FAIA, AIASB President 2026  
on behalf of the AIASB Advocacy Committee,  
Ellen Bildsten AIA and Detty Peikert AIA co-chairs

229 E Victoria St, Santa Barbara CA 93101  
[www.aiasb.com](http://www.aiasb.com) [info@aiasb.com](mailto:info@aiasb.com) 805.966-4198