From: paul hodgson
To: City Clerk
Subject: D La Vina street I have been dealing with this very unsafe condition on the 1500 block De La Vina for decades ,please try to find an answer.
Date: Tuesday, November 17, 2026 1:14:57 PM

Some people who received this message don't often get email from dadencool@yahoo.com. Learn why this is important

From: Tom Whitaker
To: City Clerk
Subject: Support of De La Vina Street Pilot Restriping Project
Date: Tuesday, November 17, 2026 12:58:37 PM

Some people who received this message don't often get email from whitaker.tomw@gmail.com. Learn why this is important

As a downtown resident, homeowner, and parent, I wanted to write to give my support for the De La Vina Street Pilot Restriping Project. It is great to see the city is pursuing the extension of the bike path that was installed on the upper De La Vina corridor a few years ago. I think this project is critical for the safety of city residents; not just for bike riders, but downtown pedestrians and drivers will also benefit from a much safer De La Vina St. To me, it makes sense to extend this effort as far as the Sola St. crosstown bike route as this will only enhance the previous improvements undertaken by the City. These efforts will make this area of downtown a more livable and safer community and I applaud the City and Council's efforts in pursuing it.

Thank you!
Tom Whitaker
[redacted]

From: paul rubel
To: City Clerk
Subject: Input for Council Meeting Nov 17 2026 on Casa de la Raza building acquisition
Date: Tuesday, November 17, 2026 12:36:12 PM
Attachments: Supervisors meeting concerns on 601 E. Monetico st building aquisition^.pdf

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Some people who received this message don't often get email from tacopablo61@yahoo.com. Learn why this is important

Hello
Please see the attached public input for the city council meeting on the subject on the Casa de la Raza building acquisition.

thank you

Regards
Paul

To the Santa Barbara City Council,

I have serious concerns on the proposed action of acquiring 601 E. Montecito st. building. The decision on whether to acquire the building is separate from my concerns. My concerns are that the city is paying $3.2 million over the $2.8M asking price advertised by the radius group. My research showed that the current plan is to use $867,000 of that excess to pay La Casa De La Rasa Inc's debt in bankruptcy court. Of that $867k, $440k is back taxes, $231k legal fees, and $125k to what appears to be board members of the failed NGO. $500k is slated for phase II and III improvement to eliminate all the red tags on the interior of the building. Unrelated to the overpayment but for clarity, I believe there is a private note on the building for $1.5 million. If the proceeds for the sale go to La Casa de la Rasa inc, they will have $3.1M to do with what they want. The Restorative Justice Education Center and La Casa Founders Holding Company has indicated that they will use it to improve the building, but who controls that? La Casa de la Raza inc. does not have a good history of financial management obviously, so they are not a good candidate.

Also, Per California Assembly bill 113 clearly states *), $6,000,000 for the City of Santa Barbara for acquisition and rehabilitation of the historic Casa de la Raza building."* [1]

It does not appropriate funds for Casa de la Raza Inc debt relief. So, the overpayment is circumventing that intent of the bill. If the city or state is going to fund La Casa de la Rasa's operation, it should be done above board and directly allocated for a specific reason with and expected output. Furthermore, it is not taxpayers' responsibility to bail out a nonprofit that has not only failed but gone significantly in debt.

If the city decides to acquire the building, they should pay the $2.8 asking price and use the remainder to fix up the building under the city's control, not an NGO.

Lastly, I realize the state has provided these funds. However, I think it financially irresponsible for the sale to go through without a basic plan for improvements to the building. We have all seen how projects balloon and it is prudent to have a basic plan with rule of thumb estimates prior to making a deal.

Thank you for you considering my input.

Regards

Paul Rubel

[redacted]

Santa Barbara, CA 93109

From: Pranav Shastri
To: City Clerk
Subject: Public Comment 11/17/26: Approval of the De La Vina Street Pilot Restriping Project
Date: Tuesday, November 17, 2026 12:24:47 PM

Some people who received this message don't often get email from pranavshastri654@gmail.com. Learn why this is important

Dear Council Members,

I am a resident of the 1500 block of De La Vina Street, between Arrellaga Street and Micheltorena Street. I am also an avid cyclist, and I have experienced several close calls with oncoming traffic when attempting to exit my driveway, even after carefully checking for approaching vehicles.

This issue is not limited to cycling. Street parking significantly restricts visibility, making it difficult for residents to safely enter and exit their driveways. I have personally experienced several instances in which oncoming vehicles came dangerously close to striking my car. In fact, just today, my vehicle was nearly hit by a car traveling at an excessive speed as I was attempting to leave my driveway. Unfortunately, this is not an isolated occurrence on this stretch of De La Vina.

Traffic routinely moves far too quickly for what should be a residential street. At times, this portion of De La Vina feels more like a thoroughfare than a neighborhood street where people live, walk, and ride bicycles. The current conditions pose unnecessary safety risks for residents, children, and everyone else using the road.

I believe installing a dedicated bike lane could be an effective step toward addressing these concerns. By narrowing the available travel lanes, a bike lane could encourage drivers to reduce their speed while providing cyclists with a designated space on the roadway. It could also help create a safer, more predictable traffic environment for residents entering and exiting their driveways.

Ultimately, this is about more than bicycle infrastructure. It is about making our neighborhood streets safer for everyone, including motorists, cyclists, pedestrians, and the residents who call this block home.

I respectfully ask the Council to consider meaningful traffic-calming measures and, specifically, to evaluate the feasibility of installing a dedicated bike lane along this portion of De La Vina Street.

Thank you for your time and consideration. I sincerely hope the safety concerns of residents on this block will be given serious attention.

From:	Stacy Rebich Hespanha
To:	City Clerk
Subject:	Public comment on 11/17/26, Item 5: Approval of Amended Affordable Housing Policies and Procedures
Date:	Monday, November 16, 2026 3:50:05 PM

Dear Mayor and Council members,

I am writing to ask that Council continue Item 5 and bring the Affordable Housing Policies and Procedures manual back after some additional refinements. There are currently conflicts between the manual and the City's ordinances, and none of the promised reporting on the Local Housing Trust Fund has yet taken place.

I appreciate the work that went into this update. It brings the manual up to date with programs the City has created since 2021, including the Local Housing Trust Fund (LHTF). The manual will shape how our affordable housing funds are used for years to come, and I think a few more steps would make it ready to adopt.

The manual is missing a section on reporting

Working from the current draft, nobody would be planning to report. I request a section that describes the reporting duties: which reports must be prepared, how often, and to whom they are presented. It would also say what information each report must contain, such as revenues, commitments, expenditures, projects funded, and the units and income levels served. And it would name who is responsible for preparing and presenting them. The manual could also specify where that information will be posted, how often it is updated, and who keeps it current.

The City has committed three times to report on the Local Housing Trust Fund. The LHTF ordinance says the Fund's revenues, commitments and expenditures will be "presented to the City Council." [1] The December 2023 staff report promised "a yearly report." [2] Housing Element program HE-16 calls for "regular reports to the public and decision-makers." [3]

I looked through Council and Finance Committee agendas from the Fund's creation in January 2024 through this month. I have not found any of these reports. I also asked for this information in a public records request in June: "a complete accounting of what the Local Housing Trust Fund has produced since its creation." [4] To date this has not been provided.

It is difficult to judge whether the structure described in this manual is the best way to manage these funds without any information about how things have gone so far. I request that Council and the public have that record in front of them before deciding.

The manual is missing a description of the proposal requirements, criteria and review process

The manual says applications are accepted on a rolling basis and reviewed by a new staff committee, the Community Investment Allocation Committee (CIAC). The committee "evaluates proposals based on funding eligibility, City Council priorities, and Housing Element goals" and makes "funding recommendations." [5] The manual doesn't describe what a proposal must include, the criteria the committee applies, or what happens to a proposal it doesn't recommend. Under the LHTF ordinance, each application goes to Council once staff have reviewed it for compliance. [6]

For someone new, this makes it very difficult to understand what it would take to propose a project. The manual invites questions to Housing Programs staff, but I couldn't find a posted application form.

There is already a starting point to work from. When the LHTF ordinance came to Council in January 2024, staff attached a list of what an application must include: [7]

- a detailed description of the project, including the property and its long-term use;
- the number of proposed units;
- the income levels of residents to be served;
- a description of who the project will serve;
- a 20-year project pro forma;
- property and project manager contact information;
- a title report from a local title company.

None of this appears in the manual. I request a section that describes what an application must include, the published criteria the committee applies in deciding whether a proposal is recommended to Council, and the

steps and timeline of review. That section would also say where this information is posted for the public and who keeps it current. Applicants would then know what their proposals will be checked against, and the review would be consistent from one proposal to the next.

A standing funding notice that is always open, with regular review dates, could keep the speed the City is looking for. It would also let anyone see what is being prioritized.

We need to welcome innovative approaches to affordable housing in our community, and that means getting more minds, with more perspectives, involved. A process that is hard to see into tends to favor applicants who already have connections with the City. We could do a lot better by making this information open to anyone in the community who has an idea.

The manual is missing a description of how the strategic affordable housing plan will be used

The 2026 Action Plan said staff were working to incorporate City-owned sites "into a strategic affordable housing plan with the update of the Affordable Housing Policies and Procedures." [8] The City also reports that it mapped City-owned land potentially available for housing in 2024. [9] The manual doesn't mention the strategic plan or the sites. I request that the manual describe how the strategic plan, including the City-owned sites, will be used in funding decisions and in administering the program, and who is responsible for it.

The manual could establish safeguards for the new covenant waiver

The new covenant waiver lets a building permit be issued before the affordability covenant is recorded. [10] That creates a risk for the public. If a lender's deed of trust is recorded first, a foreclosure could wipe out the covenant. The City faced this situation at Greggory Way, where it is using up to $550,000 of LHTF money to buy back a unit. [11] That risk can be managed with a recorded notice of the covenant or a lender priority agreement. The manual could make those safeguards a requirement. Anyone who meets them could receive the waiver, eliminating the need for case-by-case decisions. Each waiver could be reported, and other case-by-case waivers in the manual could be handled a similar way.

A public review of funding proposals would strengthen the program

The City already has a model: the Community Development and Human Services Committee (CDHSC), "a citizen review panel appointed by Council to make funding recommendations," which scores applications in public against published criteria. [12] I request that Council add a public review of LHTF and Affordable Housing Fund proposals by the CDHSC or a committee formed for this purpose. Each proposal's score would go to Council with the proposal, alongside staff's review. Every proposal that meets the published criteria would still come before Council, as the ordinance provides. Council would then have both the committee's perspective and staff's.

The manual should name the roles on its staff committee

The 2021 manual named the members of the CIAC's predecessor, the Loan Committee: the Finance Director, the Assistant City Administrator and the Community Development Director. [13] The new committee is convened by the Office of Housing and Community Vitality, and its members aren't named. Naming the roles in the manual would help ensure that useful variety of perspectives are consistently brought to these decisions. I request that Finance and Community Development continue to take part in decisions about loans and subordinations.

The manual conflicts with the City's ordinances in several places

In several places, the manual and the City's ordinances assign the same decisions to different people:

- <!--[if !supportLists]-->• <!--[endif]-->**Reviewing LHTF applications.** The LHTF ordinance names the Community Development Director to review and forward applications, and the Finance Director to administer the Fund and report. [6] The manual gives the review to the CIAC. [5]
- <!--[if !supportLists]-->• <!--[endif]-->**The $360,000 approval authority.** Council gave the Loan Committee this authority in 2007 for rehabilitation grants. The manual extends it to the CIAC for every source it reviews, including the LHTF. [5] The LHTF ordinance sends every application to Council. The January 2024 staff report said "sole approval of the disbursement of funds from any project will come from the City Council." [14] I'm not sure how these fit together.
- <!--[if !supportLists]-->• <!--[endif]-->**Inclusionary decisions.** The proposed Inclusionary Housing Ordinance amendments give the Community Development Director decisions on delayed payment, waivers and forms. They also say the inclusionary chapter prevails over this manual where they conflict. [15] The manual gives the covenant-timing waiver to the Deputy City Administrator.

[10]

These conflicts should be resolved before the manual is adopted.

Summary of refinements that would make the manual ready to adopt

I ask that Council continue Item 5 and bring it back when:

- <!--[if !supportLists]-->• <!--[endif]-->the manual and the City's ordinances agree;
- <!--[if !supportLists]-->• <!--[endif]-->the promised LHTF reporting for 2024 through 2026 has been presented to Council and the public;
- <!--[if !supportLists]-->• <!--[endif]-->the manual describes the reporting duties: which reports are prepared, how often, for whom, what they contain, and who prepares and presents them, and where the information is posted for the public;
- <!--[if !supportLists]-->• <!--[endif]-->the manual describes the proposal requirements, evaluation criteria and review process, and where that information is posted.

In the revised manual, I also request that Council consider asking staff to:

- <!--[if !supportLists]-->• <!--[endif]-->name the CIAC's member roles;
- <!--[if !supportLists]-->• <!--[endif]-->add a public review of LHTF and Affordable Housing Fund proposals by the CDHSC or a committee formed for this purpose, with each proposal's score presented to Council with the proposal;
- <!--[if !supportLists]-->• <!--[endif]-->keep a standing funding notice posted online, with the application requirements, criteria, current balance and review schedule;
- <!--[if !supportLists]-->• <!--[endif]-->make the covenant waiver a rule with required safeguards and reporting;
- <!--[if !supportLists]-->• <!--[endif]-->describe how the strategic affordable housing plan, including the City-owned sites, will be used in decisions and in administering the program.

Thank you for your time and your work on affordable housing. With these pieces in place, I think this manual can make our affordable housing programs stronger and more open to the whole community.

Sincerely,

Stacy Rebich Hespanha

Sources

[1] SBMC § 26.80.050(C) (Ordinance 6138, adopted Jan 23, 2024).

[2] Dec 12, 2023 Ordinance Committee staff report on the Local Housing Trust Fund ordinance.

[3] 2023–2031 Housing Element, program HE-16.

[4] PRR-2026-00266 (June 9, 2026), item 12; repeated in PRR-2026-00277 (June 16, 2026).

[5] Amended AHPP, Nov 17, 2026 agenda packet, p. 79.

[6] SBMC § 26.80.050(A)–(B).

[7] "Local Housing Trust Fund (SBLHTF) Application Requirements," Jan 9, 2024 Council agenda packet, p. 202.

[8] City of Santa Barbara, 2026 CDBG and HOME Annual Action Plan (adopted May 19, 2026), section on publicly owned land.

[9] 2024 Housing Element Annual Progress Report, p. 10 (program HE-14).

[10] Amended AHPP, packet pp. 92–93; waiver form, Appendix I, pp. 148–149.

[11] Nov 10, 2026 Council, Item 6 (3720 Greggory Way #1).

[12] Mar 19, 2024 Council agenda packet, CDBG and HOME funding item.

[13] Affordable Housing Policies and Procedures (2021), p. 8.

[14] Jan 9, 2024 Council agenda packet, p. 199.

[15] Inclusionary Housing Ordinance amendments (Item 14 on this agenda), draft SBMC Ch. 30.160, §

30.160.030.E.

From: Elinor Mason
To: City Clerk
Subject: de la vina st pilot restriping
Date: Monday, November 16, 2026 7:47:18 PM

Some people who received this message don't often get email from elinormason@ucsb.edu. Learn why this is important

Dear Council,

I am writing about the de la vina street restriping project. I understand that the pilot only extends as far as Arrellaga. My family and I have lived on the 1500 block of de la vina (between Arrellaga and Micheltorena), for 6 years. My children are now in high school and junior high and ride their bikes to school. Before that they would get the school bus, which meant crossing to the other side of the street. Cars go way too fast on this block, and it would be so much safer with one lane and a proper bike lane. We would really would love the pilot extended to our block and beyond.

Yours faithfully
Elinor Mason
Eric Freund
Inez Freund (16)
Leon Freund (14)

From: Larry Trager
To: City Clerk
Subject: R.E Agenda Item #13 De La Vina St
Date: Monday, November 16, 2026 8:01:18 PM

[Some people who received this message don't often get email from lbtrager@gmail.com. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

I live at 1525 De La Vina Street. I am writing to support the restriping pilot project and wish that it extended all the way to Sola Street right away. I understand that the pilot project will end at Arrellaga Street for now. The two lane configuration allows speeding cars to jockey around each other. Great care must be taken to exit a parked car along De La Vina St. as traffic speeds by. I assume that the restriping will also provide a buffer so it is safer to exit parked cars on at least one side of the street. This will be an improvement. Thank you for all you work!

Larry Trager

From: Randy Arnowitz
To: City Clerk
Subject: Re:extending pilot project to Sola Street
Date: Monday, November 16, 2026 10:34:34 PM

Some people who received this message don't often get email from greenjeansmr@gmail.com. Learn why this is important

My name is Randy Arnowitz and I am co-owner of the property at 1525 De la vina Street in Santa Barbara. I am in favor of continuing the bike lane on De la vina Street all the way to Sola Street. There have been countless hit and run accidents involving parked cars due to the narrow two lanes and parked cars. Add to that the e-bikes and regular bikes riding on the sidewalks because of the danger of riding on De la vina Street. Numerous times I have escaped either running into one when pulling out of my driveway or bing run down by one while walking out of my yard onto the sidewalk.

Other concerns:

• The excessive speeds of the traffic going down De la vina Street. I'm sure that installing a cop at Arrellaga at De la vina Street would easily cover the cost of the police officer and then some. When I walk my dog on De la vina Street and cross at Arrellaga or Micheltorena it is not uncommon for speeders to race through yellow and also red lights and to make turns without concerning themselves with my dog and myself stepping off a curb.

• All the furniture and other large trash items that are regularly set out on the curb in the hopes that someone can use the stuff. It often sits there for days or weeks.

• The large amount of pine litter and behemoth size pine cones that fall in my yard, on my head and on the parked cars on De la vina Street. I am asked to pick it all up myself and pay the trash people to take it away. I am also required to pay the plumber to unclog the roots of the street trees that clog my sewer lines.

• The unsightly and unattended trees, "lawns" and hedges of the rental properties that are in my neighborhood. I'm sure that for what the landlords in this neighborhood charge for rent that can easily pay someone to clean up their mess or tend their properties once a month or so.

Perhaps someone from the council should spend some time walking around my neighborhood to observe first hand these conditions. It is disappointing that the homeowners like myself who take pride in their yards, gardens and at one time the neighborhood have to wear crash helmets and body armor when we work in our yards or walk our dogs.

Thank you for your time.

Randy Arnowitz

Randy Arnowitz
greenjeansmr.com

From: Susie Tomlinson
To: Santa Barbara City Council; Oscar Gutierrez
Cc: Wendy Santamaria; Mike Jordan
Subject: Rent control: RENT STABILIZATION
Date: Monday, November 16, 2026 3:51:11 PM

Some people who received this message don't often get email from susietom10@gmail.com. Learn why this is important

CITY COUNCIL"

As small mom and pop owner of a duplex I am exhausted of reading and sick of trying to keep up with all of the bureaucracy the city council has created with the current tenant favored rules and regulations for the S.B. rental housing market. We are the backbone of housing, without rentals there wouldn't be tenants living here.

I am disgusted with the bias, authoritarian and dictatorship style of this city council and the way they are writing the rules for housing rentals in SB. **It is very apparent that this is one sided**, as there is not one provision that you give or offer to landlords. The tenants union and other tenants at large have dominated the conversation and rules lean strictly to them. This whole "Rent Stabilization" aka RENT CONTROL was written by them and their lawyers. It is very apparent, there is so much legal jargon, it is difficult for the typical owner to digest all the legalese to say the least.

You keep changing the rules at every step to favor only the tenants. You think that you can solve the housing shortage by making the landlord the bad guy. My units have been historically way under market to the tune of $1000/ per unit for the last 15 years. My husband and I saved judiciously and keep our units in good shape and the maintenance is always taken care of without delay. If a tenant needs something, we get it done pronto.

This city council now has tied our hands as the cost of doing business in this city as a landlord, keeps piling up. You make a rent freeze for a determined time period, only to now want to change that and extend the rent freeze. Well you apparently are not aware of the cost to do business for a landlord: over the last 10 years cost of utilities, and insurance did not get frozen. The cost to maintain our properties in that same period has gone up approximately 64% according to Macrotrends for repair and remodeling of which we have done nearly every year. The Bureau of Labor statistic states materials rose 44%. Services and labor according to the BLS price index has gone up 44%. The National Apt Association states that during the period 2018-2022 housing had the steepest climb of repair and maintenance costs of 46%. In 2026 residential repair and maintenance inflation was 8.0% due to tariffs, freight costs on appliances, plumbing and higher energy cost.

So you see, you are not taking in consideration an owner of rental property costs. They did not get frozen. This is not fair. We smaller owners of rental property are not the same as the large corporate owners. Many of us, have used our rental income to supplement our social security income.
Now you are putting a stop to how I can recuperate at least some of these costs with your rent freeze.

Lastly, all these rules, and details of running this big bureaucracy have not been well thought out, instead you are making things up as you go. The timeline for freezing rents was to end,

January 1, 2027, now you want to make them indefinite? Or what ? You have no idea how much all these rules and regulations for HOUSING PROVIDERS will affect us. You say we will have some kind of fair market return? How are you going to define “fair market return”? Any process that is necessary for the owner to claim they need a variance, will take a lot of time, and cost them a lot of money, all at our expense, for you are only representing one biased group…the tenant.

I have purposely left out of this dialogue all the new rules/regulations regarding no fault/just cause evictions…. These are onerous and unfair as well. BTW I have never had to evict someone.

Susie Tomlinson
susietom10@gmail.com

From: Joan Crossland
To: City Clerk
Subject: Letter for City Council Members and Mayor for 11.17.26 Council Meeting
Date: Monday, November 16, 2026 4:23:04 PM
Attachments: image.png
image.png
image.png
Letter to City Council November 16.pdf

Some people who received this message don't often get email from joanc@meridiangrouprem.com. Learn why this is important

Dear City Clerk,

Please distribute the attached to all city council members and Mayor Rowse.

Sincerely,

Joan Crossland
Executive Assistant to Rob Kooyman

MERIDIANGROUP
Real Estate Management

5290 Overpass Road | Building D | Santa Barbara, CA 93111
JoanC@meridiangrouprem.com | www.meridiangrouprem.com
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MAINTENANCE: 805-722-1375 OR MAINTENANCE@MERIDIANGROUPREM.COM
AFTER-HOURS EMERGENCY: 805-692-1108

DRE#01272282

EQUAL HOUSING OPPORTUNITY

AMO

INFORMATION CONTAINED IN THIS EMAIL IS CONFIDENTIAL AND IS INTENDED ONLY FOR THE INDIVIDUAL OR ENTITY TO WHOM IT IS ADDRESSED. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS EMAIL IN ERROR, PLEASE NOTIFY US IMMEDIATELY AT (805) 692-2500 OR AT INFO@MERIDIANGROUPREM.COM. THANK YOU.

November 17, 2026

Mayor and Members of the City Council
City of Santa Barbara
735 Anacapa Street
Santa Barbara, CA 93101

Re: Opposition to the Rent Freeze Extension and Emergency Ordinance

Dear Mayor and Members of the City Council:

I am writing as a Santa Barbara housing provider to urge you to reject the proposed rent freeze extension and the emergency ordinance, and to honor the December 31 expiration you set. I have three main concerns: the costs housing providers must keep paying, the way small business owners are treated as adversaries, and the use of emergency powers in place of the ordinary process.

Expenses cannot be frozen. Rent is not pure profit; it funds operations and safe, habitable homes. City staff acknowledges that insurance, utilities, maintenance, taxes and other costs may rise while rent adjustments remain restricted. Labor costs charged by plumbers, electricians, landscapers, flooring and roofing companies are not controlled or restricted by the city and materials have become more expensive, so deferred maintenance and landscaping will likely be affected. Curb appeal of properties within the city limits will decline. Banks have to be paid. Insurance has been increasingly difficult to obtain and keep. Owners are spending more on premiums for less coverage.

The proposed "relief" process adds another bill: owners would have to submit financial evidence, prove a rent increase is constitutionally necessary and pay half the hearing-officer and recording costs, with no dollar ceiling. Housing providers made financial and operational decisions based on the established deadline of December 31.

Small business owners are not adversaries. A family duplex is a small business, not an endlessly funded government program. Housing providers have explained their costs, attended meetings and asked to be heard, resulting in even more restrictions recommended by Council. Stop treating housing providers and small business owners as adversaries to control and recognize them as stakeholders in Santa Barbara's future. Responsible State Street merchants, neighborhood businesses and housing providers need help remaining viable, not blamed for City Hall's economic failures.

Emergency powers are not the ordinary process. More than 9,100 residents signed a petition seeking a public vote on permanent rent control, and the City's own report confirms that the referendum filing suspended the permanent ordinance. Residents exercising their referendum rights, or disagreeing with this council, is not a public emergency. Attorneys have formally warned that extending the freeze could undermine the referendum suspension and the public's referendum rights. The freeze is already in federal litigation, and City staff has acknowledged that an extension could bring further claims. I encourage you to direct the City Attorney to explain the referendum

implications under Elections Code Sections 9237 and 9241 and the applicability of *Lindelli* before Council votes.

Lastly, neither the temporary rent freeze, nor the Ordinance accounts for the actual income of tenants and their ability to afford their rent. The tenant earning $150,000 is being given the same benefit as the tenant earning $30,000. This is inequitable. You are asking owners to treat all residents as low income and unable to afford their rent.

I respectfully ask the Council to reject both extensions, honor the December 31 expiration, and let voters decide the permanent ordinance through the referendum process. Tenant protections under state law and other applicable rent restrictions would remain in place. Protecting tenants and allowing responsible housing providers to recover legitimate operating costs are compatible goals. Thank you for your time and consideration.

Sincerely,



Robert V. Kooyman
Rental Property Owner
Property Management Company Owner

From: Megan Musolf
To: City Clerk
Subject: Public Comment, Item 15, 11/17/26
Date: Monday, November 16, 2026 5:25:29 PM

To the Santa Barbara City Council,

Please vote to continue the rent freeze. This is a *critical* tenant protection and interim measure before Rent Stabilization takes effect (or before an outcome is decided via referendum). Extending the rent freeze will prevent increased cost burdens and, in many cases, de facto evictions as tenants cannot afford the large rent increases permitted under State law. Your council has already put in so much hard work and effort to create an RSO that protects the community. Please don't stop now. Vote to extend the rent freeze.

Sincerely,
Megan Musolf
District 6 resident/tenant

From: Robert LaRoche
To: City Clerk
Subject: Extension of the Temporary Rent Increase Moratorium [Ordinance Introduction; Ordinance Adoption]
Date: Monday, November 16, 2026 6:48:30 PM

Some people who received this message don't often get email from larocherb@gmail.com. Learn why this is important

To the Honorable Mayor and City Council Members,

I am writing to express my strong opposition to extending the rent freeze beyond its original expiration date of December 31, 2026.

The submission of a referendum with over 9,000 signatures does not constitute a public emergency. Rather, it demonstrates that the citizens of Santa Barbara demand their right to vote on the proposed Rent Stabilization Ordinance (RSO). This is democratic process in action, not a justification to alter the expiration date that the City Council previously established.

I urge the City Council to respect this process, allow democracy to work, and let the current rent freeze expire as planned.

Thank you for your consideration.

Sincerely,

Robert B. La Roche

From: Melanie Rogers
To: City Clerk
Subject: Agenda Item 15 - Temporary Rent Freeze Extension
Date: Monday, November 16, 2026 6:50:31 PM

Some people who received this message don't often get email from melbeemusic@yahoo.com. Learn why this is important

Dear Mayor and City Councilmembers,

I am writing regarding Agenda Item 15, the proposed extension of Santa Barbara's temporary rent increase moratorium.

My brother and I are housing providers in Santa Barbara and have provided rental housing for 6 years, after taking over for our parents, who provided rental housing for 30+ years.

I am concerned about how an extension beyond December 31, 2026, could affect the financial sustainability of existing rental properties.

During the current freeze, my operating expenses have increased. In particular, my insurance went up by 33% this year.

The City is considering this proposal following the submission of more than 9,100 referendum signatures. I respectfully ask the Council to explain how the proposed extension relates to the referendum process and what alternatives were considered.

I also ask Council to address the following questions:

- What determines when the proposed extension will expire?
- What financial analysis has been conducted regarding the effects on smaller housing providers?
- What procedures will be available for significant financial hardship or unexpected capital expenses?
- How will the City evaluate whether the extension is meeting its intended goals?

I support thoughtful consideration of housing affordability and believe the financial realities of maintaining rental housing should be part of that discussion. For example, we had the roof replaced two years ago because it was leaking, which was a huge expense, and I just found out that there is evidence of termites, which will need to be treated. The pool needs to be resurfaced, and we just upgraded the wi-fi a few weeks ago. Ongoing improvements and repairs like these are necessary to maintain the property and to support a quality of life that I believe my tenants deserve.

My tenants pay rent that is well below the market rate and in exchange they have a very nice and well cared-for home to live in. They know that when there is an issue with the house it will be taken care of quickly and in a satisfactory manner. And, there have been times when unexpected things happened in their lives, and they needed to pay their rent

late. I don't charge them late fees or fines, because why would I do that? They are decent people and so am I - we are all doing our best to be kind, respectful, and understanding of each other, and to make the world a better place for everyone.

I respectfully request that the City Council reconsider extending the rent freeze ordinance, and also reconsider the rent control ordinance altogether, which will do nothing to "stabilize" rent.

Thank you for considering my comments.

Sincerely,

Melanie Rogers
Santa Barbara housing provider

From: lee wilkerson
To: City Clerk
Subject: Agenda Item 15 — Temporary Rent Freeze Extension
Date: Monday, November 16, 2026 7:05:39 PM

Some people who received this message don't often get email from 1flyinglee@gmail.com. Learn why this is important

I own a small triplex on the Mesa. If you continue the rent freeze, you will force me to sell this property that I have owned for over 30 years. It was supposed to be my retirement- but now you are forcing me to sell it. My cost for insurance , property tax, utilities and upkeep are more than I can afford. My only option will be to sell this property. It'll probably be bought by a multinational corporation who will probably destroy the quaint triplex and build some horrible expensive mansion for the rich and evict my tenants who have been there for a long time.
Shame on you.
Lee Wilkerson
[redacted]

From: Manza Zavala
To: City Clerk
Subject: Extend Rent Freeze
Date: Monday, November 16, 2026 7:38:22 PM

Hello,

It is extremely concerning that over $100,000 was spent to trick voters into signing a petition that will cost the city over $500,000 for a special election on rent control.

We must protect tenants in the time between the rent freeze and the election with an extension of the rent freeze, otherwise the property management companies will eat us alive like sharks and radically increase rent knowing they will loose the rent control election.

We are afraid and unable to pay these hugr increases as the cost of food, healthcare, and gas squeeze working families beyond what is possible.

Please help us,
Amanda Zavala
[redacted]
Santa Barbara

From: Marina Usher
To: City Clerk
Subject: Public Comment, Agenda Item 15 (Rent Freeze Extension), November 17 City Council Meeting
Date: Monday, November 16, 2026 11:30:11 PM

Some people who received this message don't often get email from marinamazur@me.com. Learn why this is important

Dear Mayor and Members of the City Council,

I am writing about Agenda Item 15, the proposed extension of the temporary rent freeze beyond December 31. I am an out-of-town owner of a Santa Barbara rental property and cannot attend in person, so I ask that this letter be read into the record or included in the public comment file.

I have owned a Craftsman duplex in Santa Barbara since 2003. It is not a corporate holding. It is one property that I bought, have maintained for over twenty years, and rent to two households. I am 67 and newly retired, and this property is my retirement plan. In the near future I intend to return to Santa Barbara, make the two-bedroom unit my home, and continue renting the one-bedroom. I hope eventually to leave the property to my son.

Craftsman homes are charming, and they are expensive to keep up. The cost of repairing them keeps climbing. The National Association of Home Builders reports that builders' material costs rose a median of 6.7 percent over the twelve months to July 2026. I am about to spend $20,000 on new ducting, and the roof is nearing the end of its life and is estimated to cost another $20,000. Insurance, property taxes, and maintenance keep rising as well. There is no investor or corporate office behind me. These costs come directly from mysavings.

I have always tried to be a fair landlord. Over the years I have raised rents by about 3 to 3.5 percent annually, only enough to keep pace with the rising cost of carrying the property. The existing cap already limits that. A freeze, extended on top of it, means my costs keep rising while my income stands still, and each year the gap widens. For a small owner who is counting on this property to fund a retirement while maintaining it, that is a slow slide downhill.

I understand that renters in this city are struggling, and I care about the people who live in my building. But small owners are facing rising costs too. I ask that you recognize the families behind these properties and decline to extend the freeze.

Thank you for your consideration.

Sincerely,

Marina Usher
[redacted] Avenue
Santa Barbara, CA 93103
marinamazur@me.com
[redacted]

From:	Rich Appelbaum
To:	Randy Rowse; Kristen Sneddon; Wendy Santamaria; Eric Friedman; Oscar Gutierrez; Meagan Harmon; Mike Jordan; City Clerk
Cc:	Wayne Mellinger; Daniel Timberlake; Laurence Severance; Barbara Andersen; Kelly R. McAdoo
Subject:	Item 15: Extension of the Temporary Rent Increase Moratorium
Date:	Tuesday, November 17, 2026 7:17:30 AM
Attachments:	CLUESB letter to City Council re rent creeze 11-17-26.pdf

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Dear Mayor Rowse and Council Members,

Round 2: We're back! I've attached CLUE-Santa Barbara's updated statement on the extension of the temporary rent increase moratorium. The bottom line is simple: please uphold the rent freeze with the addition of Section 3 (providing landlords with the opportunity to petition for a variance to obtain a rent increase, if that is necessary for a fair return), until the RSO is finally implemented.

Many thanks, as always, for your unending hard work!

Rich Appelbaum
Co-chair, CLUE-SB's Housing Justice Workgroup

CLUE Santa Barbara
Clergy and Laity United for Economic Justice
1500 State Street, Santa Barbara, CA 93101
clue@cluesb.org

November 17, 2026

Mayor Randy Rowse	RRowse@SantaBarbaraCA.gov
Mayor Pro Tem/Councilmember Kristin Sneddon	KSneddon@SantaBarbaraCA.gov
Councilmember Wendy Santamaria	WSantamaria@SantaBarbaraCA.gov
Councilmember Eric Friedman	EFriedman@SantaBarbaraCA.gov
Councilmember Mike Jordan	MJordan@SantaBarbaraCA.gov
Councilmember Oscar Gutierrez	OGutierrez@SantaBarbaraCA.gov
Councilmember Meagan Harmon	MHarmon@SantaBarbaraCA.gov
Santa Barbara City Council Clerk	Clerk@SantaBarbaraCA.gov

Re: Item 15: Extension of the Temporary Rent Increase Moratorium

Dear Mayor Rowse and Councilmembers:

It is truly regrettable that this session is necessary at all.

Over the course of a year, City staff heroically met with stakeholders, gathered mountains of data, conducted surveys, and worked many hours to draft the RSO you approved on a 4-3 vote. Even that required several meetings where you got additional (and seemingly endless) public input. The three incoming councilmembers who will be sitting up there next year are all vocal supporters of rent stabilization, as of course is mayor-elect Sneddon – another clear indicator of public endorsement.

The petitions calling for a referendum were circulated by paid signature gatherers who used questionable tactics, many with no connection to our City, and certainly with no knowledge of the intricacies of the RSO. So now you have no choice: continue the rent freeze. To let it lapse would impose unconscionable hardship on tenants, since rents would immediately be raised as much as possible.

The real estate lobby will argue that the rent freeze is a hardship for landlords, and should be ended. The extension is the price they will have to pay for creating an unnecessary and costly referendum. We of course support the inclusion of Section 3, which provides landlords with the opportunity to petition for a variance to obtain a rent increase if that is necessary for a fair return.

If there is a referendum, the RSO will easily be upheld, however much money is put into defeating it. Please uphold the rent freeze until the RSO is finally implemented.

Thank you, as always, for your hard work.

Respectfully submitted,

CLUE-Santa Barbara Housing Justice Workgroup, by:

/s/ Richard Appelbaum

/s/Laurence Severance

/s/ Wayne Mellinger

/s/ Daniel Timberlake

From: Bruna Trip
To: City Clerk
Subject: Fwd: Emergency RSO
Date: Tuesday, November 17, 2026 8:49:10 AM

Some people who received this message don't often get email from islegurl@gmail.com. Learn why this is important

Dear Mayor Randy Rowse and Council Members,

I am writing to express my strong opposition to the proposed emergency extension of the rent freeze.

Declaring a state of emergency for this issue misrepresents the situation in Santa Barbara and lacks justification. Furthermore, the claim that any RSO is necessary to address corporate abuse of renters has not been supported by any data provided to the community.
This is deceitful and disingenuous.

The majority of rental properties in Santa Barbara are owned by local, hard-working homeowners who have long contributed to this community. Treating productive community members as public enemies is toxic, counterproductive, and unfair.

The Housing Authority for the City of SB houses thousands of renters going above and beyond what is considered appropriate basic housing.
Santa Barbara homeowners tax dollars help to fund this housing service.
Kristen Sneddon, you were in attendance on Monday, October 26 of the ribbon cutting of yet another 48 unit housing project on La Cumbre rd delivered by our HASB.
Yet, you feel it necessary to submit an EMERGENCY RSO extension. Deceitful.

To impose punitive actions on the very community that you serve is again...., toxic and unnecessary.

Santa Barbara City cannot afford to be futher burdened with legal actions against your ill informed measures that consume political energy, deter investment, harm Santa Barbara's reputation and certainly any good will.

I urge you to reconsider this approach and base future policy decisions on accurate local data.

Sincerely,
Bruna Trip

From: sbscuba@aol.com
To: City Clerk
Subject: Rent choking!
Date: Tuesday, November 17, 2026 9:37:42 AM

> Some people who received this message don't often get email from sbscuba@aol.com. Learn why this is important

Mayor and council members-

Writing in objection to the landlord choking proposed ordinance that will come up again today. When does the private property aspect come in to play with this awful proposal. A PERMANENT freeze? What is wrong with the state regulations, those are easy to follow and work for both sides with the cost of ownership rising well above the state limits but allows for some maintenance and repairs.

We are $200 to $300 per month under market on our 3 units- if a major repair comes up we won't be able to repair it- without the ability to keep up with the state rent regulations we have no wiggle room. We can't sell as our property value will drop about $300,000 due to having to either keep tenants in place or "buy" them out. As a native Santa Barbara resident and being in a family who "believed" owning property was a great investment- this new idea destroys the value of all rental property.

Why are you not looking at this regulation affecting the MAJOR owners- I won't name names as you all know them, the individuals or corporations who own 100's of units- why aren't you looking at the affect this will have on the "mom and pop" owners who's lives will be negatively affected- this is robbery. I ask that you look in to the large owners who won't feel the pain as us mom and pop owners of a few units, purchased to help with retirement.....the large owners and corporations are known for not maintaining properties already...

Please explain what will the new regulations will be on ALL of the new buildings either in process or in the works....i.e. Macy's- both of them-will they be under your new laws- or will they be able to charge whatever they want- this could be very discriminatory to those of us who are long term owners, fair to our tenants and aren't making a bundle....

I don't believe that ANY renters on the council can be involved in this vote- this is a clear conflict of interest.

I believe you can save the city a lot of time and money if you will table this motion- we aren't going to go away quietly, our futures depends on these units to survive- we aren't landlords to be a "charity", this is our livelihood....

On another matter- member Santamaria should step down for her disgusting meme she put up which was VERY offensive to many of us in this community- if she can't be a good citizen and avoid offending her own constituents how can they or the rest of our city depend on her for any matter- she is NOT my council member but this was very offensive.....

I believe some of the members have tunnel vision and no listening ability- they want what they want and will benefit directly from this ridiculous ordinance. I was at the last meeting and can just "feel" the vibe from the "YES" members.

I doubt the "for" members will give this any thought or consideration- the new additions and regulations are literally choking the small owners!

IF anyone actually reads this- think, just think if this was your retirement income and you will now wonder how to maintain your old properties- that will need repair and we won't have the money to do any repairs. Our family has owned our units for nearly 100 years- wish we would have sold before the council decided to become the banker- maybe the city wants to purchase at the pre proposed rules were in the mix.

Caryl Bowman

From: Silvia Corral
To: City Clerk
Subject: Rental moratorium
Date: Tuesday, November 17, 2026 10:59:23 AM

Some people who received this message don't often get email from scorral4210@gmail.com. Learn why this is important

I oppose continuing the rent moratorium.
I am a small rental housing provider
that have had tenants for over 17 years. They are like family. In the last two years I have replaced two roofs, retrenched a sewer system, redone all gutters, replaced three appliances and have seen home insurance costs double. In addition property taxes increase 2% per year. As I inherited this property the taxes are at current market value.
Without the ability to increase revenues by increasing rent, already having had no rent increases 2019-2022 (covid) it is becoming unsustainable. I have had to take a personal loan on my retirement for $100,000 as business loans are much higher interest.
At this time, I struggle with the decision to sell and put my "family" tenants at risk of termination as developers or individuals wanting personal homes would be likely buyers. This would put three families witb two generations living together total of 12 people without affordable housing.
Please consider the severe consequences on the community of continuing a moratorium.

Thank you for your sincere consideration
Silvia Corral MD

Sent from Gmail Mobile

From: Pranav Shastri
To: City Clerk
Subject: Public Comment 11/17/26: Subject: Extension of the Temporary Rent Increase Moratorium
Date: Tuesday, November 17, 2026 12:56:35 PM
Attachments: Public Comment - Rent Control.pdf

Some people who received this message don't often get email from pranavshastri654@gmail.com. Learn why this is important

Please see attached public comment, for the consideration of Mayor Rowse and the City Council.

Thank you.

17 November 2026

Public Comment – Opposition to Extension of the Rent Increase Moratorium

Dear Mayor and Council Members,

I am writing to express my strong opposition to extending the City's temporary Rent Increase Moratorium.

As a local, mom-and-pop property owner, I am increasingly concerned about the financial burden the City continues to place on small, independent landlords. Unlike large institutional owners, we operate with limited reserves and cannot endlessly absorb rising insurance premiums, property taxes, maintenance costs, and unexpected repairs, not to mention mortgages many of us still owe.

I take pride in providing housing that my tenants can enjoy and feel comfortable calling home. I want to address repairs promptly and maintain safe, pleasant living environments. However, doing so requires financial resources. By continually restricting rental income while expenses rise, the City is making it increasingly difficult for small property owners to meet these responsibilities.

Enough is enough.

The City has already adopted its permanent Rent Stabilization Ordinance, scheduled to take effect January 1, 2027. Property owners are preparing for an entirely new regulatory framework with additional restrictions and requirements. Extending the temporary moratorium on top of these regulations is excessive. The City must recognize that landlords also have financial obligations and limitations.

I also question whether extending this moratorium is truly an emergency requiring further extraordinary action. Not every housing challenge constitutes an emergency, and temporary restrictions should not become a substitute for thoughtful, balanced policymaking.

I encourage the Council to consider the actual conditions of our rental market. I currently have a two-bedroom rental unit downtown listed at a reasonable rate, yet it has been vacant for nearly four months. This illustrates that landlords are not simply raising rents and collecting endless profits. We face vacancies, carrying costs, maintenance expenses, and financial uncertainty just like any other small business owner. A vacant property generates no rental income, regardless of what the City permits or restricts.

I am also concerned about the Council's responsibility to govern fairly and impartially. The Council represents the entire community, not just tenants. Unfortunately, it often feels as though property owners' concerns are dismissed or given little consideration. Where is the empathy for the other side? Small landlords are people with families, mortgages, financial obligations, and limited resources of their own.

Fairness cannot mean protecting one group while disregarding another. Landlords deserve the same empathy and consideration as the tenants these policies are intended to protect. This is not

an argument against protecting tenants; it is an argument for balance and recognizing that responsible property ownership must remain financially sustainable. Small, local property owners are not the enemy. We are members of this community who invest in, maintain, and provide housing for our neighbors. We want to be good housing providers, but we need the financial ability to do so.

I respectfully urge the Council to allow the temporary Rent Increase Moratorium to expire as scheduled on December 31, 2026, rather than extend it.

The City cannot claim to support a healthy housing environment while disregarding the financial sustainability of the people who provide that housing. Tenants deserve consideration, but so do landlords. We are part of this community, too.

Thank you for your time and consideration.

Sincerely,

Pranav Shastri

From: Nannou Manor LLC
To: City Clerk
Subject: Agenda Item 15 — Temporary Rent Freeze Extension
Date: Tuesday, November 17, 2026 1:34:18 PM

Some people who received this message don't often get email from nannoumanorllc@gmail.com. Learn why this is important

Dear Mayor and City Councilmembers,

I am writing regarding Agenda Item 15, the proposed Temporary Rent Freeze Extension.

My family provides rental apartment housing to 10 Santa Barbara residents, and is proud to have been able to do so for over 60 years. My great-grandparents built our apartment building, and even lived there themselves in their later years. This building is a sentimental part of my family history, but also provides income for my family as well.

The proposed extension of the temporary rent freeze past the current December 31, 2026 termination date is highly concerning.

Property owners can not afford to have rents continue to be frozen while their expenses most certainly are not. When the Council implemented the rent freeze, property owners and landlords were not extended the same opportunity to freeze insurance, property tax, utility, or any other expenses for that matter. Property owner expenses continue to increase as fair markets dictate, yet rents have been frozen in time (retroactively nonetheless to a 2024 rate).

Unfortunately, when I've explained to my insurance provider that our income potential has been frozen by the City for almost 1 year when requesting a waiver on any applicable insurance premium increase, the reality of our situation is not something that is even considered or sympathized with. Our insurance premiums increase regardless.

With over 9k referendum signatures, it is very apparent that this is a subject that is detrimentally important to a significant number of people. I respectfully ask that Council take the time to address some of the questions that are front of mind for me and other property owners facing the realities of the decisions Council makes, such as:

* If the freeze is extended, how and when will the new expiration date be decided?
* What options will property owners have available to them if the continued freeze results in severe financial hardships, or at worse, their inability to continue to operate?
* Have the projected effects on SMALL housing providers been specifically studied, and if so, how and by whom?
* What is the specific articulated goal of the proposed extended freeze, and what measure will be utilized to determine if this goal has been met?

I would also like to take this opportunity to share one personal example of what we personally, as small housing providers, have experienced in recent years. Focusing on our insurance premium prices alone, I'd like to share the kind of expense hikes that we have incurred over the years. From 2018-2023, we incurred property insurance premium expenses between $2810-$5838. In 2024, our insurance premium expense hiked to $24,666. That is the reality housing providers are faced with, and I think that this often times gets forgotten.

Affordable housing comes in all shapes and sizes, and there is not a one-size-fits-all solution. Smaller property owners, the mom-and-pop property owners if you will, are more vulnerable to this type of policy completely crushing the financial stability they rely on to survive. I am fortunate that my great-grandparents left our family with a mortgage-free property, but I know that we are an outlier. If we did have a mortgage on this property, there is no way that we would be able to continue providing the housing we provide now. The small apartment building my great-grandparents build with their love, sweat, and Greek-immigrant hopes and dreams, that has continued to operate for 5 generations so far, would be at risk of being sold. I truly hope that this is not the Council's intention, and share with you this personal story knowing that we are not the only small housing provider facing these realities.

I respectfully request that the City Council not extend this rent freeze any further. Property owners and landlords need to be allowed to return to whatever normal we are permitted to get back to, and if the Council's goal is to protect existing rental housing and encourage more rental housing supply, continuing an already long rent freeze is most definitely not the way to do it.

Sincerely,

Camille Borchard

[redacted]

Santa Barbara housing provider

From: Bill Martin
To: Santa Barbara City Council
Subject: Opinion on Rent Freeze
Date: Tuesday, November 17, 2026 1:50:16 PM
Importance: High

Some people who received this message don't often get email from martinandpowell@gmail.com. Learn why this is important

November 17, 2026
Sent via email: SBCityCouncil@SantaBarbaraCA.gov
Subject: Opinion on Rent Freeze

Honorable Mayor and Council Members:

We all recognize Santa Barbara's need for affordable housing. However, restricting rents on privately funded and financed housing is not the same as creating publicly subsidized affordable housing. Public subsidy is the key, and the Affordable Housing development sector has access to these subsidies.

My wife Ann and I have a small building and development company in Paradise, California. We were in a great position to help rebuild the town after the 2018 Camp Fire. To bring affordable housing to back the community, it needs to be subsidized. It could not be done at market rate. So, we sold properties to affordable housing developers with access to government subsidies and tax credits. There is a happy outcome. At this moment, 72 new affordable housing units are under construction, and on another site, 24 new affordable housing units are completed. This housing is exclusively for low to moderate income renters. Now we are in Santa Barbara, closer to friends and family. We are in the process of remodeling a badly neglected five-unit apartment building. This project is being remodeled at market rate and will be for market rate renters.

Both affordable housing and market rate housing models serve an important purpose. Neither can fully replace the other. Affordable housing projects create subsidized housing for low to moderate income renters. Affordable housing developers use public financing, subsidies, and tax credits to serve households that cannot afford market rents. Private owners invest their own capital, assume the financial risks, and depend on rental income to sustain their properties. To support market rate housing, these units must be rented to market rate renters.

Our experience demonstrates that publicly supported affordable housing and privately financed market-rate housing are not competing models. They are complementary, mutually beneficial, serving two different populations, Both essential to a healthy housing market.

Please seek subsidized, affordable housing opportunities aggressively while supporting private investment in the housing market. Santa Barbara needs both subsidized and market rate housing models working together in our community.

Respectfully,
Bill and Ann Martin

From: Sonny Chehl
To: City Clerk
Subject: Agenda Item 15: Extension of the Rent Freeze and the Fraud Perpetrated by SBRPA against City residents
Date: Tuesday, November 17, 2026 1:57:21 PM

Some people who received this message don't often get email from sonnychehl@gmail.com. Learn why this is important

Agenda Item 15 - Extension of the Rent Freeze and the Fraud Perpetrated by SBRPA against City residents

Dear City Clerk, Mayor, and Members of the City Council,

I am a tenant in the City of Santa Barbara, and I am writing in support of Agenda Item 15 and extending the rent freeze.

I urge the Council to extend the temporary rent increase moratorium past December 31, 2026. It should stay in effect until the Rent Stabilization Ordinance takes effect or the voters reject it.

I. Rent increases cannot be undone. If the freeze lapses, tenants could get rent increases right away, months before voters decide the RSO. That money cannot be refunded after the election. For me, an increase now would mean leaving Santa Barbara; I could not afford to stay. For other households, it is about the size of a car payment, an insurance bill, or the family's phone, internet, and utility bills.

II. The freeze isn't about operating costs. The freeze was meant to hold rents steady until a permanent policy is in place. Ending it now would not respond to any change in what it costs to run a rental property. It would only respond to timing: the referendum, the signature process, and uncertainty about future rules. Rents should not go up because of the election calendar.

III. The appeal process gives owners a remedy and weakens the case for litigation. The appeal process proposed by City staff lets any property owner ask for relief from the freeze for a specific property. Because every owner with a real hardship has that individual remedy, threatened legal challenges to an extension have little ground to stand on. The courts have already ruled on this freeze once: the lawsuit property owners filed against it was dismissed by a judge in July.

IV. An extension is fair to both sides. City staff recommended that the RSO let property owners request an adjustment on their first rent increase to account for revenue they did not receive during the freeze. With that in place, an extension leaves landlords no worse off because of the referendum, and it keeps tenants from facing large, permanent increases while the community decides.

V. Signature gathering for the referendum deserves heightened scrutiny.

Many residents report that they were misled about what the referendum petition would do.

Dozens of residents submitted forms to the City Clerk revoking their signatures after they learned its actual purpose.

Signatures obtained through misrepresentation should be disqualified.

The Council should not let rents rise on the strength of a petition whose validity is still in question.

Extending the moratorium keeps things as they are until the voters decide. I respectfully ask the Council to approve the extension.

Sincerely,

Inesh Chehl

From:	Summer Howatt
To:	City Clerk; Randy Rowse; Oscar Gutierrez; Mike Jordan; Wendy Santamaria; Meagan Harmon; Kristen Sneddon; Eric Friedman; vfrancis@sos.ca.gov
Subject:	Continue the current rent freeze and toss out the deceitful referendum against the RSO
Date:	Tuesday, November 17, 2026 1:58:41 PM

Council and staff at the Secretary of State's office:

I'm resending this from last week, since the item got moved. These items keep getting moved, which makes it EXTREMELY difficult for working-class residents to adjust work schedules, or get time off for mid-day agenda items that have no exact start time. I am not sure if this is the point, to prevent more speakers during public comment.....

It's not fair to have these items (yet again) back at some undetermined afternoon time, when working-class renters are at work. The plan was for RSO-related items to be at **FIVE p.m.** so more of the community could actually be involved. The rent freeze is RSO related. I am sure that today there will be mostly landlords there speaking, which obviously is not a BALANCED representation of the community. But many of them don't work 9-5 jobs and can easily go speak. Please keep that in mind today. My email is now about Item 15 (rent freeze extension) and I'm emailing because I'm working and can't go.

I am writing as a concerned renter to urge Council to continue the current rent freeze in effect. Tenants need these continued protections from sudden and unlawful rent increases, especially as rental property owners have shown to be operating in extremely bad faith to stop the Rent Stabilization Ordinance. They have said flat out for months they want to end it. They don't want it on the ballot. No wonder they've paid signature gatherers to deceive the community.

This referendum should be thrown out, due to the overwhelming evidence and reports of deceitful signature gathering. How is this LEGAL, after years and years of the community showing up to get this ordinance passed? City Council MUST extend the rent freeze, partly due to this shady and deceitful signature gathering process in their effort to overturn the Rent Stabilization Ordinance.

I already emailed examples of FALSE info given to me by signature gatherers (to you all and to the Secretary of State), in which different signature gatherers at different locations were claiming that signing would "keep rent control going" and that it would help renters keep the rent low. I have copied someone at the Secretary of State on this email as well.
One gatherer circled the **RSO description** and told me they needed 8,000 signatures to get rent stabilized, which of course is a lie and not the honest pitch that it is a REFERENDUM against that passed ordinance. I knew it was false from following this for years now, but many in the community don't know the latest in this complex process, so many did sign.
It's pretty disgusting that this is acceptable, and the result will be rent spikes that many renters can't afford. City Council must take action to protect renters, and THROW OUT the referendum. Make the SBRPA do an honest one, ideally with recording required, and see how many renter signatures they get then? I predict zero renter signatures, if signature gatherers were forced to be honest that the RSO already passed.

Online you can read more about all the disgraceful tactics --here on Reddit here and here also.

Here on EdHat about the rampant aggressive and dishonest signature gathering tactics, for both the State Street and RSO referendums. And The SB Independent article here.

Support the large renter population of this city, and don't let outright GREED and deceitful tactics win.

-Summer Howatt, renter

From: Hilary Kleger
To: City Clerk
Cc: Holly Perea
Subject: Public comment on extension of temporary rent increase moratorium: SUPPORT extension
Date: Tuesday, November 17, 2026 1:58:46 PM

Some people who received this message don't often get email from hilarykleger@gmail.com. Learn why this is important

Dear Mayor and members of the city council and staff,

Please support the extension of the temporary rent increase moratorium. This is essential especially due to the recent deceptive campaign from the SBPOA to get a referendum on the ballot to change the outcome of the council decision that was made after extensive research and community input. Their campaign was deceptive and they paid signature collectors a significant amount that increased their deception and harassment techniques.

Thank you for protecting renters.

Hilary Kleger
former Rental Housing Roundtable Co-Chair
Renter

From: Sonny Chehl
To: City Clerk
Subject: Agenda Item 15 - Extension of the Rent Freeze
Date: Tuesday, November 17, 2026 1:59:50 PM

Some people who received this message don't often get email from sonnychehl@gmail.com. Learn why this is important

Agenda Item 15 - Extension of the Rent Freeze and the Fraud Perpetrated by SBRPA against City residents

Dear City Clerk, Mayor, and Members of the City Council,

I am a tenant in the City of Santa Barbara, and I am writing in support of Agenda Item 15 and extending the rent freeze.

I urge the Council to extend the temporary rent increase moratorium past December 31, 2026. It should stay in effect until the Rent Stabilization Ordinance takes effect or the voters reject it.

I. Rent increases cannot be undone. If the freeze lapses, tenants could get rent increases right away, months before voters decide the RSO. That money cannot be refunded after the election. For me, an increase now would mean leaving Santa Barbara; I could not afford to stay. For other households, it is about the size of a car payment, an insurance bill, or the family's phone, internet, and utility bills.

II. The freeze isn't about operating costs. The freeze was meant to hold rents steady until a permanent policy is in place. Ending it now would not respond to any change in what it costs to run a rental property. It would only respond to timing: the referendum, the signature process, and uncertainty about future rules. Rents should not go up because of the election calendar.

III. The appeal process gives owners a remedy and weakens the case for litigation. The appeal process proposed by City staff lets any property owner ask for relief from the freeze for a specific property. Because every owner with a real hardship has that individual remedy, threatened legal challenges to an extension have little ground to stand on. The courts have already ruled on this freeze once: the lawsuit property owners filed against it was dismissed by a judge in July.

IV. An extension is fair to both sides. City staff recommended that the RSO let property owners request an adjustment on their first rent increase to account for revenue they did not receive during the freeze. With that in place, an extension leaves landlords no worse off because of the referendum, and it keeps tenants from facing large, permanent increases while the community decides.

V. Signature gathering for the referendum deserves heightened scrutiny.

Many residents report that they were misled about what the referendum petition would do.

Dozens of residents submitted forms to the City Clerk revoking their signatures after they learned its actual purpose.

Signatures obtained through misrepresentation should be disqualified.

The Council should not let rents rise on the strength of a petition whose validity is still in question.

Extending the moratorium keeps things as they are until the voters decide. I respectfully ask the Council to approve the extension.

Sincerely,

Inesh Chehl

From:	Cassandra Ensberg
To:	Santa Barbara City Council; Holly Perea
Subject:	C Ensberg Letter to CC Nov 17, 2026 Re Item 15
Date:	Monday, November 16, 2026 2:54:50 PM
Attachments:	HOUSING INCLUSIONERY LETTER TO COUNCIL.pdf Hughes Building Study for 36 Units.pdf

---

Good afternoon!
Please distribute the attached letter and Hughes Building Study attachment to the Mayor and Council.
I hope they will have the time to read!
Thank you,
Cass Ensberg

Cassandra Ensberg, Artist, FAIA Architect, LEED AP
805 455 8332
https://www.10westgallery.com/cassandra-ensberg
https://cass-ensberg.squarespace.com/
http://ensbergjacobsdesign.com/

What we do matters. *Working to serve the Santa Barbara community through volunteerism and by promoting collaboration in development to promote and preserve 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.



November 16, 2026

To: **Santa Barbara Mayor and city Council**

Regarding: **Inclusionary Housing Ordinance Amendments,**
November 17, 2026 Council Agenda Item 15

Thanks to all and especially the planning staff for this very important work.

The struggle to develop Housing and particularly affordable housing continues here in Santa Barbara and everywhere. I write this letter for the intent of helping the discussion and decisions on this complicated issue as we search for a workable solution.

Housing in Downtown Santa Barbara is an intense change of use from the historically zoned commercial urban core of the city. The downtown is already the most complex area and the requirements for conversion to housing means that realistic regulations are needed to achieve our goals of mixed-use development with housing that will bring vitality to our urban core.

As an architect, the job, as I see it, is to understand the goals and constraints and to design in a sensitive, inspired, and balanced way to meet code and safety requirements that respects and enhances community values.

I am an advocate for balanced development. I support housing, especially affordable housing and recognize that the funding to provide affordable housing is a great need and an extreme challenge.

I offer the following for your consideration:

A critical element that I believe is not well understood is the extraordinary difficulty and increased costs to development that is a result of our geography, geology, and climate – all make Santa Barbara beautiful, delightful, desirable, in high demand, and unaffordable. Our sloping terrain, intense storm water flow, storm surge, high water tables, flood zones, high fire areas, earthquake faults, etc., and poor expansive soils sometimes full of large boulders make design and construction difficult and expensive.

Another critical element is how passionate Santa Barbara is about environmental protections and the design of our built environment. On the planning side this requires careful thought for design in a Santa Barbara style and quality that meets community expectations. Thankfully, Santa Barbara is fortunate to have many skilled designers and developers who appreciate and understand our scale and style and the importance of including the community in the design and development process.

For sustainability and preservation, I believe enabling adaptive reuse of our buildings to the greatest extent is essential. My understanding is that as currently written, the Adaptive Reuse Ordinance limits additions on existing buildings. The relevant portion of the ordinance is inserted below.

E. **Existing Buildings.** An adaptive reuse project shall be located within the existing building envelope, with no additions proposed outside the building volume, except as follows:

1. Maximum 600 square feet or 10% of the existing building floor area, whichever is greater, of additional floor area is allowed outside the existing building envelope to provide residential amenities that serve all units on-site (such as a laundry room, bicycle storage room, or recreation room).
2. Additions necessary for egress, circulation, accessibility, or other improvements to comply with the Building Code, are allowed outside the existing building envelope, up to the minimum size required by the Building Code.
3. Residential additions may be constructed within the existing building envelope, such as mezzanines and lofts.

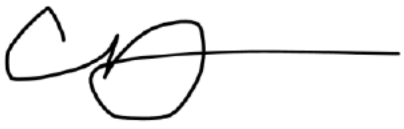
This means that vertical addition(s) of floors needed (particularly in the downtown area) to achieve necessary density for conversion into housing is very limited under the Adaptive Reuse Ordinance. I believe that very few existing buildings will qualify under the Adaptive Reuse Ordinance, as written, and will not qualify for the benefit and result in an infeasible development.

Given the extreme challenge and the need for housing in the downtown El Pueblo Viejo Historic District (Gutierrez to Sola between Chapala and Anacapa), I hope that projects that preserve building façades and propose vertical addition up to the 60' maximum can be included in the Adaptive Reuse Ordinance and be exempt from the affordable inclusionary housing provision. **Alternatively, that another possibility be considered.** Provide for a lesser per SF rate (determined through collaboration between the city and developers) for an "opt out" provision that will **help build the Affordable Housing Fund and result in a feasible project.**

I also believe that Historic Landmarks Commission design review is not only of great value but should be required (per the Charter) to help guide the design of these projects in the historic district. *Attached is one example of a possible approach to the housing development on a study of a typical downtown building produced as part of the AIASB Charrette 2020 Team 5B 900 Block collaboration with team member and architect Jacon Niksto. Thanks, and all proper credits to AIA SB Charrette 2020 and to the members of Team 5B 900 Block.*

Finally, another way to think about it.
A natural benefit of our condensed little town is that affordable housing developments are naturally integrated and sprinkled throughout the community. And - both Non-Profit and Private developments of larger units can enable families to live as a traditional multi-generational household with young and elder family members.
I know this from personal experience. When covid came, we brought my mother from the Villa Santa Barbara to live with us for 6+ years until she passed at the end of 2025 at 97 years. Living with us was where she most wanted to be and she always said she was "deliriously happy". Not only was it a good use of our home and good for our family, but a space at the Villa SB also became available for another elder.

Thank you for your time and consideration on this very complex and important matter.



Cassandra Ensberg, FAIA Architect, longtime resident, and artist

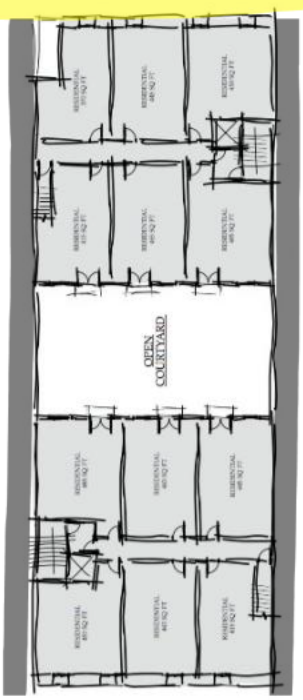


EXISTING STATE STREET FACADE

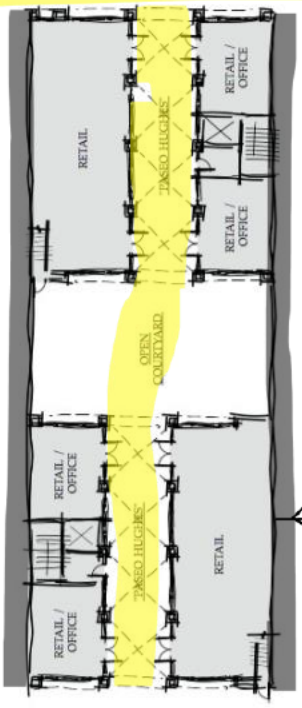


PROPOSED STATE STREET FACADE

Rear Paseo to Canary



Upper 3 Levels
Residential (36 Units)



Street Level Commercial

Property Line
Zero Setback
(Typ. on N &



State Street

HUGHES BUILDING RENOVATION ADDITION HOUSING STUDY SKETCH

917 State Street

This Study is from the **AIASB Charrette 2020** By the **Team 5 B 900 Block** architects & architect team member **Jacob Nitsko***.
The study shows a possible solution for mixed use development with commercial and a new public Paseo on the street level and 36 units of housing on three upper levels. The original two-story street façade is preserved. Two new four-story structures are built behind the historic façade with a courtyard between them to provide the required natural light and emergency egress. This is an example of how housing might be achieved on an historic building on a typical narrow downtown lot with zero lot line setbacks in the historical El Pueblo Viejo District.

Cassandra Ensberg, FAIA Architect Oct 24, 2026
*Proper thanks and credits to AIASB Charrette 2020, Team 5B
900 Block architects & architect team member Jacob Nitsko

From:	Murray Dawson
To:	Randy Rowse; Mike Jordan; Kristen Sneddon; Oscar Gutierrez; Wendy Santamaria; Meagan Harmon; Eric Friedman; City Clerk
Cc:	rflacks@gmail.com; Nancy
Subject:	Council Meeting 11/17: SBCAN Letter - Agenda Item #14
Date:	Monday, November 16, 2026 3:20:31 PM
Attachments:	SBCAN Letter - Agenda Item #14.pdf

Some people who received this message don't often get email from murray@sbcan.org. Learn why this is important

Dear City Clerk,

Please see SB*CAN*'s attached letter for the record on agenda item #14 for tomorrow's regular City Council meeting on 11/17/2026.

Many thanks to all!
Murray

--
Murray Dawson, M.A.
South County Director
Santa Barbara County Action Network (SB*CAN*)
Web | LinkedIn

Santa Barbara County Action Network
(SB*CAN*)
info@sbcan.org
www.sbcan.org
PO Box 6174, Santa Maria, CA 93456-6174

To: City of Santa Barbara Clerk, Staff, and Council

Re: November 16, 2026, Council Meeting Agenda Item #14

Dear Mayor Rowse and Members of the Council,

Regarding agenda item 14, SB*CAN* strongly supports the City staff's recommended amendments, and we urge the City Council to adopt them. Importantly, that the $91 per square foot rental offset fee be applied throughout the City, with no reduction for the Central Business District.

We offer this support for three main reasons:

1. Maintaining the highest rental offset fee permissible by law offers the City significant negotiating leverage and bargaining power with developers. It is easier to work with a developer and have them negotiate a lower offset fee based on the circumstances and specifics of an individual proposal than to set a lower rate as the standard.
2. Developers still maintain significant economic benefits if they choose to pay the $91 offset fee. They avoid the 90-year affordability covenant, rental income restrictions, compliance obligations, and retain significant value in any future sale of the properties. If a developer is looking to pay out of the inclusionary housing requirement, they already have incentives to do so, and there is no significant reason to bolster these economic benefits at the expense of additional income for the City to reinvest in our Housing Trust Fund.
3. The point of maintaining an inclusionary housing requirement is to have it be used in practice. Setting it too low raises the question of why the City should maintain its own inclusionary housing requirement. While we are not opposed to rental offset fees, we want to see inclusionary housing be built on-site at developments, especially in our Central Business District.

Again, we support the recommendations the City staff have laid out.

Very best,

Murray Dawson
South County Director

Richard Flacks
Co-President, South County

From: Peter Lewis
To: Santa Barbara City Council; Holly Perea
Subject: letter for Council, regarding Inclusionary Housing Ordinance Amendments
Date: Monday, November 16, 2026 4:08:25 PM
Attachments: Letter to City Council November 16, 2026.doc

Please see attached letter for your consideration of the above ordinance.

PETER LEWIS
260 Bonnie Lane
Santa Barbara, CA 93108
Tel 805-452-1949
peterl@nyla.cc

November 16, 2026

Dear Mayor and Council Members,

What is our desired goal with this ordinance? BAE our consultant has made it abundantly clear the current zoning and inclusionary policies are NOT ECONOMICALLY FEASIBLE. In the City of Santa Barbara, we have built 13 moderate income rental housing units since the AUD adopted inclusionary requirements in 2019. I built 8 of those 13 so I think I have some insights on the feasibility of that program.

The only change in this proposed ordinance that improves feasibility is recommendation F. Assuming the builder can incorporate the additional units in the design over base density this would reduce land costs per unit and thus improve the financial viability of a project. This is a good policy change.

All other provisions of this ordinance ADD costs to projects and reduce feasibility.

The Offset in lieu fee which has been studied and debated in PC and Council is currently Cost Additive. As noted on Page 8 and 9 of the Executive Summary offset fees of $ 91/SF and $ 73/SF would generate fees of $ 740,000 or $ 590,000 respectively per moderate income unit. A private builder could currently construct those units for approximately $ 406,000 at $ 500/SF and bring in revenue related to the affordable moderate income rent schedules of approximately $ 30000 per affordable unit in additional revenue annually.

As a result, it is likely no one elects to pay offset fees since it provides no revenue and adds in this study case either $ 334,000 ($91/SF fee) per affordable unit or $ 184,000 ($73/SF) per affordable unit. If no one selects this more expensive option no fees are generated for the Local Housing Trust. The outcome is the feasibility has not improved and the LHT has not gained revenue. The staff notes in their report the preference is to have units on site. In this regard the goal is met but the costs have not changed and feasibility has not improved.

I believe an offset fee that is closer to the cost of constructing the units (approx. $46/SF) on site may be elected by builders to simplify management and improve

long term returns. Under the case presented in your report at $ 46/SF the City would gain 43 market rate units and add $ 1,604,158 of funds to the LHT.

Nevertheless, let me be clear inclusionary requirements adds costs to the project and impair feasibility. Many projects don't get off the concept stage or past the feasibility analysis. Unfortunately, when they are built 90% of the tenants in these projects that do not receive affordable rents pay more rent as a result. As I learned in Econ 101 in the first day of class there is "no free lunch" costs matter.

Respectfully,

Peter Lewis

From:	Craig Minus
To:	City Clerk
Subject:	Public Comment - Item: Inclusionary Housing Ordinance CC 11/17/26
Date:	Monday, November 16, 2026 4:51:53 PM
Attachments:	2026.11.16 CHC Comment Letter to City Council Inclusionary In Lieu Fee(53632073.1).pdf

Some people who received this message don't often get email from craig@chcsb.org. Learn why this is important

Hi City Clerk,

Please see attached for distribution to CC members ahead of 11/17 hearing.

Thanks,
Craig

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

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Fed Tax ID # 20-1652456

November 16, 2026
Mayor and City Council
City of Santa Barbara
Via Email: Clerk@SantaBarbaraCA.gov

Subject: Inclusionary Housing Ordinance Amendments (CITY2026-00003), November 17, 2026 Agenda – Proposed Inclusionary Housing In-Lieu and Offset Fees

Dear Mayor and Councilmembers:

The Coastal Housing Coalition (CHC) is a nonprofit that speaks for local employers and employees in support of workforce housing for households earning 120-200% of the area median income. **We write to urge the City Council not to adopt the fee increases** in the Inclusionary Housing Ordinance Amendments (Amendments) and the related Fee Resolution, as described in the November 17, 2026 Council Agenda Report (Staff Report) and supported by the Inclusionary Housing and In-Lieu Fee Study (Study). The proposed Amendments and inclusionary fees will render new projects infeasible, reducing the supply of new housing for the majority of workers in Santa Barbara County who do not qualify for deed-restricted affordable housing, and increasing housing costs.

Our concerns come down to three points.

1. **The City's own analysis shows that a higher fee is not financially feasible.** The Study found that all five typical housing projects it tested are **"not likely feasible" under the City's current rules, before any fee increase** (Study, pp. 34-36). Staff's new feasibility analysis confirms the problem: every Council-supported scenario remains "**not likely feasible**." Even so, the Fee Resolution doubles the rental fee from $25 to $50 per square foot, adds a $50 fee for larger ownership projects and a $35 fee for small projects, and adds new offset fees of $91 (rental) and $72 (ownership) per square foot and a $760,250-per-lot fee for lot-only subdivisions (Fee Resolution, Exh. A). Staff concedes **the offset rates "were not calibrated for feasibility impacts on development"** (Staff Report, p. 7; Att. 1, p. 7). A fee charged on a project that never gets built produces no homes and no money for the Local Housing Trust Fund.
2. **The fee does not comply with applicable law.** State housing law and the City's Housing Element require the City to remove, not add, local barriers to housing (Gov. Code, § 65583(a)(5), (c)(3); Housing Element Policy 1.4). Staff's General Plan consistency analysis does not address Policy 1.4 (Staff Report, Att. 4, pp. 1, 4). A policy that is "not calibrated for feasibility impacts on development" almost certainly **violates Housing Element Law** and the City's Housing Element. In addition, under the Mitigation Fee Act and the U.S. Constitution, **a fee on new development must have a nexus to, and be roughly proportional to, the impact of that development** (Gov. Code, § 66001; *Sheetz v. County of El Dorado* (2024)

601 U.S. 267). The Study's "nexus" theory is that people in new homes will spend money locally, creating jobs, some of which will be held by lower-income workers who need housing (Study, App. D, p. 104). That chain assumes every new resident is a newcomer, ignores research showing new housing helps hold down rents in older buildings, and charges new projects for a shortage built up over decades (see attached letters for more details). The fee is also justified by moderate- and middle-income needs, yet the Amendments direct all fee revenue to the Local Housing Trust Fund (Staff Report, pp. 5, 8), which has largely supported lower-income housing. Setting the offset fees at the nexus maximum leaves no margin for error in that analysis. These are not abstract risks. The City of San Luis Obispo is currently being sued over a similar inclusionary fee as an unconstitutional condition, even though San Luis Obispo's rates ($21.42 to $26.73 per square foot) are a fraction of what is proposed here. (*Ruda v. City of San Luis Obispo* (C.D. Cal., No. 2:26-cv-02283, filed Mar. 4, 2026).)

3. **A higher fee means projects either will not get built or will use State Density Bonus Law to get bigger.** The Study shows that projects using State Density Bonus Law are "likely feasible," with land values of $157 and $187 per square foot, compared to $82 for the same site under City rules (Study, pp. 38-39). Nearly half of the multi-unit homes permitted this Housing Element cycle (174 of 409 units) already use the State program, and nearly all developers interviewed said it is more attractive than the City's programs (Study, pp. 18, 84). The Study itself warns that tougher local requirements make the State program "an even more attractive alternative," and that State bonus projects have not produced the moderate-income units the City's program is meant to deliver (Study, pp. 54-55). **Raising the fee will therefore push builders toward larger State-law projects with less local control, or toward not building at all.**

For these reasons, CHC respectfully asks the Council to:

- Keep the in-lieu fee at its current level until it can be set at a rate projects can actually support, and set any offset fee at a feasibility-tested rate rather than the nexus maximum.
- Adopt the Study's recommendation to count rental inclusionary units as bonus density, which the Study found improves project feasibility by 28% to 38% (Study, pp. 60-61).
- Fund affordable housing through broader sources, such as general fund revenues, special taxes, or commercial linkage fees, so that the cost of a community-wide need for affordable housing based on decades of under-development is shared community-wide.

Thank you for considering these comments. CHC welcomes the opportunity to work with the City on policies that produce more housing at all income levels, including workforce and missing-middle housing.

Sincerely,



Craig Minus
Executive Director

From:	Craig Minus
To:	City Clerk
Subject:	Re: Public Comment - Item: Inclusionary Housing Ordinance CC 11/17/26
Date:	Monday, November 16, 2026 5:08:59 PM
Attachments:	2026.04.16 CHC Comments to PC on Inclusionary Housing and In-Lieu Fee StudyFINAL.pdf 2026.10.05 CHC Comments to PC on Inclusionary Housing and In-Lieu Fee Study(53221005.1).pdf 2026.02.28 CHC Comments on Inclusionary Housing and In-Lieu Fee Study_FINAL(50524328.1).pdf 2026.11.16 CHC_Comment_Letter_to_City_Council_Inclusionary_In_Lieu_Fee(53632073.1).pdf

Hi City Clerk,

The additional 3 letter attached are intended to accompany the 11/16/26 public comment letter. Please include with distribution.

Thanks,

Craig

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

From: Craig Minus <Craig@chcsb.org>

Date: Monday, November 16, 2026 at 4:51 PM

To: Clerk@SantaBarbaraCA.gov <Clerk@SantaBarbaraCA.gov>

Subject: Public Comment - Item: Inclusionary Housing Ordinance CC 11/17/26

Hi City Clerk,

Please see attached for distribution to CC members ahead of 11/17 hearing.

Thanks,

Craig

Craig Minus
Executive Director
(**c**) 805.403.2752
(**o**) 805.570.1250
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Fed Tax ID # 20-1652456

April 15, 2026

Planning Commission
City of Santa Barbara
Via Email: PCSecretary@SantaBarbaraCA.gov

Subject: Inclusionary Housing and In-Lieu Fee Study (CITY2026-00003)

Dear Chair Boss and Planning Commissioners:

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—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 Inclusionary Housing and In-Lieu Fee Study (Study) before the City Council finalizes the Study and seeks to implement it through zoning ordinance amendments. **Based on our review of the Study, we respectfully recommend that you direct staff to revise the Study to address CHC's comments provided on the draft Study which are attached hereto as Attachment A.** As evidence from a redline comparison showing minimal changes (Attachment B), **the Study remains fundamentally flawed as a policy tool and therefore will undermine the City's affordable housing goals.**

CHC wishes to emphasize and reiterate the following points:

1. The Study finds that **under current market conditions all typical multifamily development protypes are financially infeasible** under the City's existing Inclusionary Housing Ordinance (IHO), yet the Study recommend increasing and expanding the City's inclusionary housing requirements and *doubling* in-lieu fees. Both of which will reduce the financial feasibility of multifamily development projects and render the development of market rate and affordable units infeasible.
2. The Study's Residential Nexus Study relies on tortured, speculative causal chain to justify taxing new residential development: "The residential nexus calculation *assumes* that new households in Santa Barbara will spend some of their money within the local economy, thereby supporting employment for new workers, a portion of which will be in need of

affordable housing."[1] The Study asserts that new market rate housing construction results in "induced demand" for lower and moderate income housing.[2] This framework seeks to require new market rate construction to pay for the any new affordable housing construction—depsite the City's decades long underproduction of affordable housing. The Residential Nexus Study has numerous flaws. For example, it 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.[3] As such, it overestimates the amount of affordable housing demand created by new housing. As another example, the Residential Nexus Study seemingly assumes that all occupants of the new market rate units will be new arrivals "inducing demand," rather than individuals already living in our community getting access to newly built market rate housing. In sum, the Residential Nexus Study relies on flawed assumptions to convert new market rate units to hypothetical new jobs to increased demand for affordable housing, which cannot otherwise be offset with other revenue sources and must be paid for by new development.[4] These flawed assumptions in this convoluted causal chain breaks the City's analysis. Accordingly, the **Residential Nexus Study fails to meet the requirements of the Fee Mitigation Act and would constitute an unlawful exaction under the Fifth Amendment**. The City thus must recalibrate its Residential Nexus Analysis based on the weight of the research and evidence to ensure that it that undermines its assumption of "induced demand" from market rate construction.

3. Importantly, the Study fails to evaluate all the City's options to equitably finance affordable housing. The Residential Nexus Study requires only new development to fund new affordable housing; this increases the costs of new construction reducing supply and will never address the City's affordable housing deficit. Simply put, the proposed Inclusionary Housing Requirements and Fee will fail because new development will only pencil when market rate rents are so high that they can fund affordable units. That is no way to achieve broad affordability; it simply requires 51.8% of worker households (120+% area median income (AMI)) to subsidize housing for 3.1% of worker households (120% AMI).[5] Importantly, the Study ignores that other more financing options are available—like the sales tax revenue generated by new "induced demand"—that reflect actual increases in demand and provides a more straightforward funding mechanism.

[1] Study, App. D, p. 104.
[2] See Study, App. D, p. 112, Table 26.
[3] 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.
[4] See Study, App. D, pp. 104-116.
[5] See Study, App. D, p. 108, Table 23.

4. Many agencies recognize that unsubsized inclusionary requirements are failed policies. The Oregon Legislature passed Senate Bill 1521 prohibiting cities within the greater Portland from enacting unfunded inclusionary requirements due to a decade of underproduction of both market rate and affordable unts.[6] The City of San Francisco's Inclusionary Housing Technical Advisory Committee also recently recommended that the City **reduce** its inclusionary housing requirements from 15% to 5%.[7] The City's staff report further recognizes this finding that the majority of lower income affordable units are from 100% affordable projects financed heavily by federal, state, and local fundings sources.[8] The Planning Commission should carefully consider the Study's findings to ensure that the Study's recommendations align with the Study and other agencies' findings that unfunded inclusionary housing requirements fail to produce affordable housing.

Accordingly, CHC requests that the Planning Commission direct staff to revise the Study and meaningfully 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 State Density Bonus Law 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 commercial inclusionary fees, to fund affordable housing development.

Thank you for consideration of these comments. CHC appreciates the City's commitment to revising the 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

---

[6] See Oregon State Legislature https://olis.oregonlegislature.gov/liz/2026R1/Measures/Overview/SB1521 (accessed on Apr. 13, 2025).

[7] Inclusionary Housing Technical Advisory Committee Meeting (Apr. 7, 2026) https://www.sf.gov/meeting--april-2-2026---inclusionary-housing-technical-advisory-committee-meeting; The Real Deal, SF Committee Recommends Cut to Affordable Units Mandate (Apr. 9, 2026) https://therealdeal.com/san-francisco/2026/04/09/san-francisco-committee-proposes-cut-to-affordable-units-rule/

[8] Staff Report, p. 5.

Copy to: Allison DeBusk
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February 28, 2026

Dana Falk
Project Planner
City of Santa Barbara
Via Email: InclusionaryHousing@SantaBarbaraCA.gov

Subject: Draft Inclusionary Housing and In-Lieu Fee Study

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).[1] 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**.[2]

[1] 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.").
[2] 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.[3] 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."[4] 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 protypes 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.[5] Again, all project prototypes in the Study saw a significant

[3] 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.

[4] Draft Study, pp. 9, 48.

[5] 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.[6] 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.[7] 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**.[8]

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:

---

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).

[6] See Draft Study, pp. 30-32.

[7] 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.").

[8] 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),[9] 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.[10] 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%.[11] 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

[9] 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."

[10] See Draft Study, p. 39, Table 9: In-Lieu Fee Rates by Construction Cost Analysis.

[11] 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.[12] 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.[13] 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.[14] 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

[12] 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).
[13] See Draft Study, p. 107, Table 26.
[14] 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.

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

bae urban economics

~~DRAFT~~

Inclusionary Housing and In-Lieu Fee Study

Prepared for the City of Santa Barbara

~~January 13~~April 1, 2026

~~DRAFT~~

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EXECUTIVE SUMMARY

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

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

Study Objectives

The objectives of this Study are:

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

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

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

- Evaluate the Existing Program's inclusionary requirements and in-lieu fee rates under current market conditions and development standards.
- Analyze the extent to which current in-lieu fee rates reflect the cost to build inclusionary units as required under the Existing Program.
- Identify in-lieu fee rates that support the City's Local Housing Trust Fund for affordable housing development while not negatively impacting the financial feasibility of new market-rate residential development.
- Address administration difficulties with the Existing Program to align fee calculations, fee adjustments, and other local methodologies with industry best practices.
- Communicate potential alternatives to the Existing Program with respect to financial feasibility, such as use of State Density Bonus Law ("SDBL") and the availability of waivers and concessions.

Key Study Findings

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

Permitted Inclusionary Housing Units and Collected In-Lieu Fees

The inclusionary housing requirements have successfully created affordable housing units for Moderate- and Middle-Income households and have generated funds used to support affordable housing from collected in-lieu fees.

In-Lieu Fees and Inflation

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

Multiple and Complex In-Lieu Fee Calculations Methods

The City uses a variety of calculation methods to determine in-lieu fee payment amounts depending on a project's tenure. In particular, the method for ownership projects is complex and could be more effectively administrated if aligned with fee calculations for rental projects,

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

as is done in other cities. In-most jurisdictions surveyed, in-lieu fees for both ownership and rental projects are charged on a per residential square foot basis, applied to the entirety of the project.

Financial Feasibility Challenges under Existing Program

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

~~***Financial Feasibility Improves under State Density Bonus Law (SDBL)***~~

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

~~***"Fee-Out" Options are Not Customary***~~

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

Study Recommendations

The key findings ~~noted above~~ inform ~~targeted~~ 10 recommendations to update the Existing Program. The recommendations fall into ~~across~~ three major categories: program-related, policy-related, and administration-related~~, as described in Table 1 below~~.

- **Program-related recommendations** are updates to the Existing Program requirements, such as in-lieu fee rates, citywide applicability, and recalibrated requirements for large and small projects.
- **Policy-related recommendations** are updates designed to encourage housing development and provide in-lieu fee payment options.
- **Administration-related recommendations** are updated designed to simplify and clarify functions associated with administering the Existing Program.

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Table 1: Recommendations for Updates to the Existing Program

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

The recommendations are structured to work together in updating the Existing Program, although each recommendation can proceed as a standalone change. Incorporating all recommendations from the Study into the inclusionary housing ordinance would have the greatest impact on generating inclusionary housing and in-lieu fee payments while balancing development feasibility.

Program-Related Recommendations

The five program-related recommendations update the variable requirements for inclusionary housing while the Existing Program structure remains unchanged.

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

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

B. Maintain Current Inclusionary Housing Requirements

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

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

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

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

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

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

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

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

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

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

Policy-Related Recommendations

There is one policy-related recommendation and one option to consider, both intended to encourage housing development.

F. Count Rental Inclusionary Units as Bonus Density

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

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

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

> ***Option G.1 Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements***
> Consider allowing in-lieu fee payment for all fractional inclusionary requirements, regardless of the total number of units proposed in the project or the tenure of the units (i.e., on projects with 10 or more units, do not require an additional unit for fractions of 0.5 or more). This recommendation would apply the in-lieu fee rates proposed in Recommendations C (rental projects) and D (ownership projects).
>
> ***Option G.2 Consider In-Lieu Fee Payment for All Inclusionary Requirements***
> Consider allowing all inclusionary housing requirements to be fulfilled with an in-lieu fee payment, without requiring any onsite inclusionary units. This recommendation would apply an in-lieu fee rate up to $72.00 per square foot.

Administration-Related Recommendations

The three administration-related recommendations simplify and clarify processes and calculations used to administer the Existing Program.

H. Simplify In-Lieu Fee Calculations for Ownership Projects

This Study recommends simplifying the methodology for calculating in-lieu fee amounts for ownership projects by aligning it with the methodology in place for rental projects. This

recommendation would apply in-lieu fee requirements for ownership projects on a net residential square foot basis, rather than a per-unit basis.

I. Implement Automatic Annual In-Lieu Fee Rate Adjustments

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

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

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

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INTRODUCTION

The City of Santa Barbara is situated in one of the highest-cost regions in the country, where market-rate housing is often ~~unattainable~~ unaffordable[3] for ~~lower~~Lower-, ~~moderate~~Moderate-, and ~~middle~~Middle ~~income~~ Income households. The City has sought to address these challenges through a variety of policies, programs, and actions over the years, including inclusionary housing requirements for some units in new market-rate housing developments to be made affordable.

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

- Ownership projects with 10 or more units require 15 percent of units to be sold at prices affordable to Middle-Income[4] households. The ownership inclusionary units are allowed above a site's maximum density (as bonus density).
- Ownership projects of two through nine units may designate one unit as affordable to Middle-Income households[3] or pay a prorated in-lieu fee based on the number and size of the proposed units.
- Ownership projects of one unit are not subject to any inclusionary housing requirements.
- Rental projects pursuant to the Average Unit-Size Density Incentive Program (AUD Program)[5] with 10 or more units require 10 percent of the units onsite as affordable to Moderate-Income households.
- Rental projects pursuant to the AUD Program with five to nine units may designate one unit as affordable to Moderate-Income households or pay an in-lieu fee rate of $25.00 per net residential square foot.
- Rental projects pursuant to the AUD Program with four or fewer units are not subject to any inclusionary housing requirements.
- Rental projects not utilizing the AUD Program are not subject to inclusionary housing requirements.

[3] Housing costs are considered affordable if they do not exceed 30 percent of a household income, as established by the US Department of Housing and Urban Development (HUD).
[4] For Residential Lot Subdivisions for the construction of single unit homes, units may be sold to Upper-Middle-Income households.
[5] When the AUD Program was first adopted in 2013, the City could not require inclusionary units for rental housing due to a 2009 court decision. In response to changes in state law, an inclusionary requirement for AUD rental projects was added in 2019.

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

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

Study Objectives

The objectives of this Study are:

- Implement goals, policies, and programs from the 2023—2031 Housing Element that encourage affordable and market rate housing units in support of the City's Regional Housing Needs Allocation ("RHNA").
- Identify opportunities to align the separate ownership and rental inclusionary housing requirements into one Inclusionary Housing Program.
- Evaluate the Existing Program's inclusionary requirements and in-lieu fee rates under current market conditions and development standards.
- Analyze the extent to which current in-lieu fee rates reflect the cost to build inclusionary units as required under the Existing Program.
- Identify in-lieu fee rates that support the City's Local Housing Trust Fund for affordable housing development while not negatively impacting the financial feasibility of new market-rate residential development.
- Address administration difficulties with the Existing Program, to align fee calculations, fee adjustments, and other local methodologies with industry best practices.
- Communicate potential alternatives to the Existing Program with respect to financial feasibility, such as use of State Density Bonus Law ("SDBL") and the availability of waivers and concessions.

Study Organization

The Study is organized as follows:

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

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

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

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

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

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

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

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

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

changes to the City's Existing Program might have on development feasibility in Santa Barbara.

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

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

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

Residential Development Trends

Despite strong fundamentals including high rents and sales prices, as well as a lack of development impact fees when compared to neighboring communities, residential development in Santa Barbara faces multiple headwinds. Beyond the local and regional context, state and federal factors impact residential development feasibility. Federally, ~~High~~ high interest rates implemented since 2022 have raised the cost of debt and equity ~~since 2022~~, ~~increasing the cost of money,~~while more recently imposed tariffs on construction materials increase the cost to build, all of which contribute~~s~~ to higher development costs overall. ~~Development is inherently risky, and the increased perception of risk from high interest rates has required higher return on investment for projects to proceed.~~

Since 2020, the cost of construction materials has climbed by more than 40 percent, according to Associated Builders and Contractors, a national trade association that releases reports based on data from the Bureau of Labor Statistics.[6] Additionally, tariffs on steel, aluminum, and lumber further~~could~~ increase the cost of construction materials. Regionally, ~~The~~ the rebuilding effort associated with the Los Angeles area fires may also contribute to increased local development costs due to regional demand for labor and materials.

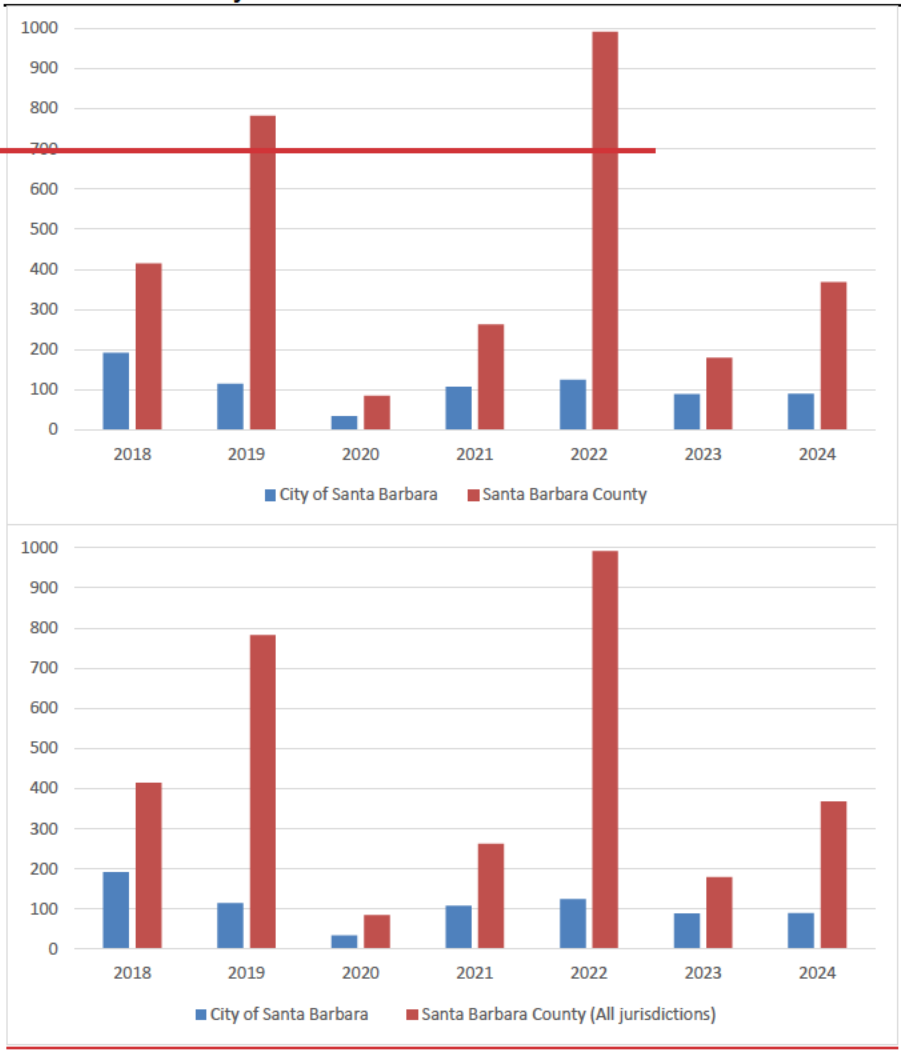
[6] https://www.independent.com/2025/04/30/trumps-tariff-war-has-santa-barbara-contractors-on-alert/

Development is inherently risky, and the increased perception of risk from high interest rates, uncertain tariffs on materials, and regional need for construction labor has required higher return on investment for projects to proceed.

Local Trends

Looking at one-year residential trends ~~across~~ for all of Santa Barbara County, the total number of permitted units in multi-unit residential projects for all jurisdictions and the County increased from 179 in 2023 to 368 in 2024, according to Annual Progress Report (APR) data published by the California Department of Housing and Community Development (HCD). Comparatively, permitted units in multi-unit residential projects in the City of Santa Barbara remained consistent from 2023 to 2024, increasing by just one unit (89 to 90). The County rezoned 28 sites for higher density residential development to meet their RHNA. Many of the County sites are large acreage and able to accommodate hundreds of units in a single project. By contrast, the City of Santa Barbara was able to meet RHNA using existing zoning and redevelopment of relatively small sites.

Figure 1: Annual Permitted Units in Multi-unit Projects, City of Santa Barbara and Santa Barbara County



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

Increasingly, multi-unit residential projects are utilizing SDBL in the City of Santa Barbara. In the current 2023—2031 Housing Element Planning cycle[7], 409 units have been permitted in 21 multi-unit residential projects, as of December 31, 2025. Of these, almost half of the permitted units (174 units in six projects) are using SDBL. This aligns with legislative changes by the State to SDBL.

Rental Data

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

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

The average asking rents per square foot for newly-~~constructed~~ built (2017-2025) rental units informed the feasibility analysis and recommendations because~~in~~ this Study focuses on the financial feasibility of new residential development.

[7] The 2023-2031 Housing Element planning cycle counts units issued a building permit after June 30,2022. The most recent housing production numbers are through December 31, 2025.

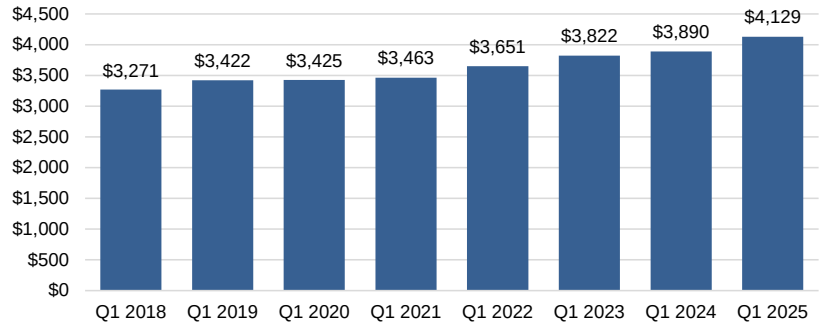
Table 2: Multifamily Market Overview, Newly-Built 2017~~+~~, -2025, City of Santa Barbara

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

Source: CoStar, 2025; BAE, 2025

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

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



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

South Coast Rent Survey

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

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

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

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

Ownership Data

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

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

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

For ownership pro-formas, BAE isolated a subset of two-bedroom condominium sales in condominium buildings constructed after 2007 to inform the in-lieu fee calculation. The

sample size of newer condominium buildings is relatively small due to lack of construction. The median sales price of a two-bedroom condominium unit in a newer (2007+) building was $1,862,000. This is a price of approximately $1,117 per square foot.

Housing Affordability

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

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

Table 3 below compares housing costs for Moderate- and Middle-Income households, the two AMI categories served by the Existing Program's inclusionary requirements. The table shows the housing costs for newly-built market-rate units in the City of Santa Barbara (data from table 2) compared to affordable housing costs~~, as~~ calculated using data from HUD and the City of Santa Barbara. The affordability of newly-built market-rate units for households of all income groups is challenging, since housing costs for all market-rate units exceed the maximum affordable housing costs in all instances.

For example, a ~~moderate~~Moderate ~~income~~ Income household of three can afford maximum housing costs of $2,549 per month (~~affordable~~ rent and utility costs equal to 30% of household income). However, the average market-rate housing costs for new two-bedroom unit is $4,535 per month (market-rate rent and utility costs ~~utilities~~)~~.~~ This calculates to ~~creating~~ an affordability gap of $1,986 per month (difference between affordable housing costs and market-rate housing costs).

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

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

Notes:
(a) Displays average asking rents by unit size in newly-constructed buildings (2017-2025) within the City of Santa Barbara.
(b) Utility allowance effective Jan. 2025 published by the Housing Authority of the City of Santa Barbara.
Utility allowances include: "Basic" Electric, Gas, Water, Sewer, and Trash.
(c) Housing Cost equals the Monthly Rents plus the Utility Costs.
(d) City of Santa Barbara Income Limits published April 2025, based on HUD AMI of $113,300.
(e) Rent Limits effective April 1, 2025, published by the City of Santa Barbara.
Source: City of Santa Barbara, 2025.

The relationship between production of housing units and the increased need for affordable housing in the City was established in the 2017 Nexus and Economic Study that informed adoption of the rental inclusionary housing requirements. This relationship between construction of new market-rate residential units and the need for affordable housing is explained and re-analyzed in Appendix D: Residential Nexus Analysis. The residential nexus analysis assumes that new households in Santa Barbara will spend some of their money within the local economy, thereby supporting employment for new workers, a portion of which will need affordable housing.

EXISTING PROGRAM

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

The inclusionary housing requirements have successfully created affordable housing units for Moderate- and Middle-Income households and have generated funds used to support affordable housing from collected in-lieu fees.

Inclusionary Housing Requirements for Ownership Projects

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

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

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

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

dedication, or any combination proposed by an applicant and approved by the Planning Commission.

Inclusionary Housing Requirements for Rental Projects

The rental inclusionary housing requirements apply only to rental projects using the AUD Program (SBMC Section 30.150.110). Adopted much later than the ownership inclusionary housing requirements, rental inclusionary was added to the AUD Program in 2019 to require inclusionary units for Moderate-Income households (targeting 100 percent AMI). Rental inclusionary requirements address a need for Moderate-Income units that was not being met by market-rate development or nonprofit housing entities ~~because of limited funding opportunities at the local, state, and federal level for Moderate-Income households~~at the time of ordinance adoption.[8]

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

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

In-Lieu Fee Calculations

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

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

In-lieu fee calculations for ownership projects are more complex and must be completely re-calculated by staff for every ownership project. The in-lieu fee amount is informed by sale

[8] In 2017-2019, the research and analysis of residential development trends found that market-rate developments using the AUD Program were producing above-moderate income units and nonprofit housing providers were developing lower-income units.

prices of two-bedroom condominium units in the four most recent calendar quarters, which requires new sales data for each calculation. Additionally, the in-lieu fee calculation accounts for average unit size (square feet) of the proposed project units, difference in sale price of an income-restricted unit to a market-rate unit, developer profit, and the total number of units proposed in the project. See Appendix A for the calculation formula and an example in-lieu fee amount calculation.

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

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

In-Lieu Fees and Inflation

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

In July 2019, the Consumer Price Index for All Urban Consumers (CPI-U) for the "Pacific" region was 105.397. In September 2025, the most recent month for which data was available, the CPI-U had risen to 133.724, for an increase of 26.9 percent.[9]

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

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

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DEVELOPMENT PROTOTYPES

This Study is based on a series of residential development prototypes, which are representative of existing multi-unit development in the City of Santa Barbara. Development prototypes do not reflect conditions at a specific site. The prototype assumptions are based on project information such as typical unit types from recent developments in the City, ~~were~~ informed by staff, and refined through a series of one-on-one interviews with local development practitioners.

Site Selection

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

Medium-High Density site

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

High Density site

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

Priority Housing Overlay sites

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

Baseline Prototypes

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

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

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

Prototype I: Ownership Townhome Prototype

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

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

Prototype II: Ownership Prototype

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

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

Prototype III: Rental Townhome Prototype

Prototype III is a small AUD Program rental development on a 9,000 sf site in the Medium-High Density area with five residential units averaging 905 sf. There are four two-bedroom units and

one three-bedroom unit configured in a townhome-style arrangement above private garages directly underneath each unit (three stories with a total building height of 32 feet).

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

Prototype IV: Rental Mixed-Use Prototype

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

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

Prototype V: Rental Mixed-Use Large Prototype

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

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

Density Bonus Prototypes

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

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

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

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

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

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

Adaptive Reuse

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

Due to the inherent difficulty in identifying a "prototypical" adaptive reuse project to test financial feasibility, this Study does not explore the financial feasibility of modified inclusionary housing requirements for adaptive reuse projects. Generally speaking, however, it should be noted that adapting existing commercial buildings into residential units tends to be more expensive than new construction.[10]

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

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

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

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

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

Sources: City of Santa Barbara; BAE, 2025.

~~DRAFT~~

FINANCIAL FEASIBILITY ANALYSIS

This chapter evaluates the financial feasibility of five baseline residential development prototypes that comply with the existing inclusionary housing requirements and development standards, and two residential development prototypes utilizing SDBL. The financial feasibility analysis models a residential development from a developer's perspective since the production of market-rate units, and the associated inclusionary units or in-lieu fees, requires developer interest to construct the project.

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

Financial Feasibility Methodology

The ~~Financial~~ financial feasibility for each development prototype was ~~determined~~ analyzed ~~via~~ using ~~the preparation of~~ static pro-forma models ~~for each prototype~~. ~~These static~~ Static pro-forma models ~~represent~~ are a form of financial feasibility analysis that developers often use as an initial ~~test~~ screen to conceptually test ~~of~~ financial viability for a development concept. In their simplest form, a static pro-forma can inform a "go or no go" decision to construct a project.

The pro-formas are structured to calculate the Residual Land Value (RLV) associated with each prototype. This financial feasibility method solves for the land price ~~The RLV approximates the maximum amount that a developer should be willing to pay for a given site, based on the value of the project that the developer would build on that site. The RLV method accounts for total development costs (excluding land), net operating income and capitalized sale value, among other factors, to solve for the amount~~ a well-informed, capable developer could afford to pay for ~~land~~ a site and earn a market responsive return on investment. The RLV analysis maintains profit as an fixed percentage in the pro-formas to compare the financial feasibility of development prototypes consistently. The profit assumptions reflect the return threshold that a developer would likely require when deciding whether to pursue a project, based on the level of risk associated with each development prototype. The analysis estimates the market value of the project, hard costs and soft costs to construct the project, and developer profit to solve for the RLV. ~~If the RLV is negative or below the typical range of sales prices for land or underdeveloped properties, then the project is likely to be infeasible under current conditions.~~

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

The factors influencing financial feasibility are dynamic, and development activity and market conditions are highly cyclical. Hard costs can fluctuate due to changes in construction labor availability and costs, material costs, and a multitude of other factors. Similarly, a project's

revenue (value) can increase or decrease depending on the availability of housing supply in the local market, changes in the attractiveness of a project's location, or other factors impacting sale and rent prices. The minimum threshold for investments can also fluctuate based on federal interest rates and trends in real estate capital markets—recognizing that real estate development must compete against all other investment options. In almost all instances, a development must generate a competitive profit that corresponds to the comparatively higher risk of development in order for a developer to pursue a project.

There is no universal financial feasibility methodology that applies to all circumstances. Standard feasibility analyses commonly calculate RLV or return on cost (ROC)[11]. Additionally, no single metric of financial feasibility, such as RLV or ROC, is best for every situation. Nor can a feasibility method account for every detail of a development's financials or predict future costs, revenues, or other factors impacting development. Because this Study analyzes development prototypes and not an actual development proposal, a static pro-forma rather than a more detailed cash flow analysis solving for an internal rate of return, is appropriate to model prototypical initial feasibility.

Commented [AD1]: ROC should be defined (footnote is fine).

Commented [DF2R1]: Added

Any change in the factors and assumptions that informed the pro-formas and the feasibility analysis could enable more housing development projects to become financially feasible. For example, a lowering of the cap rate or an increase in rents (following trends in Figure 2) could potentially make a prototype feasible.

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

Financial Feasibility Thresholds

Prototypes are considered financially feasible, marginally feasible, or not feasible, depending on the resulting RLV. Prototypes achieving or exceeding the ~~density area's RLV~~site's prevailing land cost (based on cost per square foot of comparable land sales) are considered "likely feasible." Prototypes whose RLV does not quite achieve the prevailing land ~~residual threshold~~cost may be considered "marginally feasible," and could become feasible under more favorable conditions, such as discounted land value, participation with a longer term property owner, or maintaining an existing revenue-generating use on a portion of the project site, such as a self-storage facility. Prototypes ~~below the density area's~~with a negative RLV or an RLV below the typical range of land costs are considered "not likely feasible."

- Likely feasible if RLV > land cost

[11] Return on Cost (ROC) is a point-in-time analysis comparing financial performance (Net Operating Income) and total cost to construct. It measures the value of the development against market conditions.

- Not likely feasible if RLV < land cost

For each density tier (Medium-High, High, Priority Housing Overlay), the ~~RLV~~ land cost assumption is informed by ~~land valuation assumptions based on~~ recent sales in the City of Santa Barbara (~~Appendix C: Residential Pro Formas~~Appendix A: Assumptions and Forumlas) as well as conversations with local developers (Appendix B: Input from Practitioners).

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

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

~~Prototypes achieving or exceeding the density area's RLV are considered "likely feasible." Prototypes whose RLV does not quite achieve the land residual threshold may be considered "marginally feasible," and could become feasible under more favorable conditions, such as discounted land value, participation with a longer term property owner, or maintaining an existing revenue generating use on a portion of the project site, such as a self storage facility. Prototypes below the density area's RLV are considered "not likely feasible."~~

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

The pro-forma feasibility analysis reflects current market conditions relevant to the generalized and prototypical residential developments in this Study. Financial performance of development projects shifts over time as changes occur in economic conditions. Project-specific conditions like existing land uses, property owner motivations and acquisition/holding costs, access to financing, area-specific land use regulations, and costs for construction labor and materials will benefit or challenge a development's financial feasibility. Many of these factors are outside City control and all have a great impact on feasibility of development that the City is unable to influence.

Baseline Prototypes

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

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

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

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

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

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

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

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

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

Table 5: Summary of Residential Development Feasibility, Existing Program

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

Sources: City of Santa Barbara; BAE, 2025

Prototype I: Ownership Townhome Prototype

Not Likely Feasible

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

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

Prototype II: Ownership Condominium Prototype

Not Likely Feasible

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

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

Prototype III: Rental Townhome Prototype

Not Likely Feasible

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

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

Prototype IV: Rental Mixed-Use Prototype

Not Likely Feasible

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

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

Prototype V: Rental Mixed-Use Large Prototype

Not Likely Feasible

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

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

Density Bonus Prototypes

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

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

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

Likely Feasible

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

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

Prototype SDBL-II: Rental Density Bonus Prototype

Likely Feasible

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

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

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

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

Source: BAE, 2025.

IN-LIEU FEE ANALYSES

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

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

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

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

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

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

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

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

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

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

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

Construction Cost Analysis

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

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

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

Ownership Projects

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

- For Ownership Townhome Prototype (Prototype I), the estimated in-lieu fee rate using the construction cost methodology is $113.14/sf.
- For Ownership Condominium Prototype (Prototype II), the estimated in-lieu fee rate using the construction cost methodology is $83.00/sf.

Rental Projects

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

- For Rental Townhome Prototype (Prototype III), the estimated in-lieu fee rate using the construction cost methodology is $79.83/sf.
- Rental Mixed-Use Prototype (Prototype IV), the estimated in-lieu fee rate using the construction cost methodology is $72.52/sf.
- Rental Mixed-Use Large Prototype (Prototype V), the estimated in-lieu fee rate using the construction cost methodology is $73.66/sf.

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

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

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

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

Fee Equivalent Analysis

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

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

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

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

Table 10: In-Lieu Fee Rates by Fee Equivalent

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

Source: BAE, 2025.

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BENCHMARK ANALYSIS

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

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

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

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

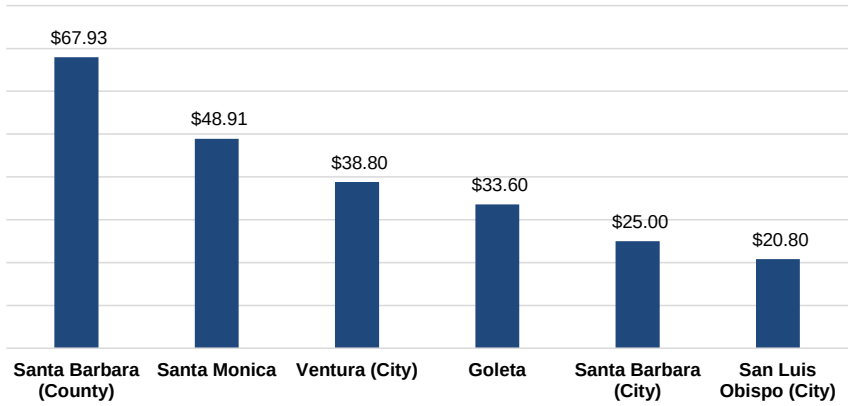
Nearly all benchmarked jurisdictions have limited ability for a developer to satisfy all inclusionary housing requirements through payment of an in-lieu fee alone. These restrictions may include requiring City Council approval to pay an in-lieu fee for the entirety of the inclusionary housing requirement,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

In-Lieu Fee Rate Comparison – Rental Projects

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

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

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



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

Santa Barbara County

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adaptive Reuse

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

City of San Luis Obispo

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

Ownership Projects

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

Rental Projects

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

Adaptive Reuse

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

City of Ventura

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

Ownership Projects

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

Rental Projects

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

Adaptive Reuse

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

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RECOMMENDATIONS

The following chapter provides 10 recommendations for targeted updates to the Existing Program. ~~For organizational purposes, the~~ The recommendations ~~are grouped~~fall into three major categories~~, as defined in the table below~~: program-related, policy-related, administration-related.

- **Program-related recommendations** are updates to the Existing Program requirements, such as in-lieu fee rates, citywide applicability, and recalibrated requirements for large and small projects.
- **Policy-related recommendations** are updates designed to encourage housing development and provide in-lieu fee payment options.
- **Administration-related recommendations** are updates design to simplify and clarify functions associate with administering the Existing Program.

Table 11: Recommendations for Updates to Existing Program

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

D. Set an In-Lieu Fee Rate for Ownership Projects with 10+ units E. Set a Lower In-Lieu Fee Rate for "Small" Rental and Ownership Projects	G.2. Consider In-Lieu Fee Payment for All Inclusionary Requirements	

The recommendations are structured to work together in updating the Existing Program, although each recommendation was analyzed and can proceed as a standalone change to the inclusionary housing requirements.

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

Incorporating all recommendations from the Study into the inclusionary housing ordinance would have the greatest impact on generating inclusionary housing units and in-lieu fee payments while balancing development feasibility.

Program-Related Recommendations

The five program-related recommendations update the variable requirements for inclusionary housing while the Existing Program structure remains unchanged. The recommendations maintain consistency in overall inclusionary requirements and adjust in-lieu fee rates for inflation, costs, and project size.

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

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

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

B. Maintain Current Inclusionary Housing Requirements

Rental Projects

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

Maintain Focus on Moderate-Income Households

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

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

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

Maintain the 10 Percent Requirement

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

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

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

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

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

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

Ownership Projects

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

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

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

Maintain the 15 Percent Requirement

- This Study recommends maintaining the existing percentage requirement (e.g., 15 percent) of inclusionary housing units set aside for Middle-Income households because it balances the findings from the financial feasibility analysis with the need to

produce affordable housing, although not at an income category recognized by the state or in RHNA reporting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Policy-Related Recommendations

There is one policy-related recommendation and one option to consider, both intended to encourage housing development. The recommendation aligns the rental and ownership program, while the option offers two variations to allow broader use of in-lieu fee payments.

F. Count Rental Inclusionary Units as Bonus Density

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

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

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

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

- ***Option G.1 Consider In-Lieu Fee Payment for All Fractional Inclusionary Requirements***

Consider allowing in-lieu fee payment for all fractional inclusionary requirements, regardless of the total number of units proposed in the project or the tenure of the units (i.e., on projects with 10 or more units, do not require an additional unit for fractions of 0.5 or more). This recommendation would apply the in-lieu fee rates proposed in Recommendations C (rental projects) and D (ownership projects). The Existing Program only allows small projects with fewer than 10 units the option to fulfill inclusionary housing requirements with an in-lieu fee payment; this recommendation would allow projects of all sizes this compliance option.

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

within the multi-unit residential project, and there is no 90-year relationship with the City to manage the inclusionary units.

- Consequences of this option may be a possible decrease in the number of onsite inclusionary units created in multi-unit residential developments since some projects that would have provided one additional inclusionary unit would no longer be required to do so.

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

  - A "fee-out" option is not common. Nearly all benchmarked jurisdictions impose restrictions on a developer's ability to satisfy all inclusionary housing requirements through payment of an in-lieu fee alone. These restrictions may include requiring City Council approval to pay an in-lieu fee for the entirety of the inclusionary housing requirement, allowing in-lieu fee payments only for the purpose of meeting a fractional unit requirement (currently allowed in the Existing Program for projects of nine or fewer options, increase to all projects under Option G.1), or only allowing in-lieu fee payments for smaller projects.

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

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

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

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

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

Commented [AD3]: Appropriate to state Existing Program and expanded through Option G.1?

Commented [DF4R3]: Revised to include more explanation

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

- Benefits to expanding options for in-lieu fee payments to meet inclusionary housing requirements could include generating additional revenue for the Local Housing Trust Fund, and allowing increased flexibility for a project to either pay the in-lieu fee amount or construct onsite inclusionary units. This option could also be seen as a benefit to a developer; since no inclusionary units are constructed within the multi-unit residential project, and there is no 90-year relationship with the City to manage the inclusionary units.

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

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Administration-Related Recommendations

The three administration-related recommendations simplify and clarify processes and calculations used to administer the Existing Program. These recommendations benefit staff by reducing the differences between the rental and ownership inclusionary administration processes to make one inclusionary housing program. These same recommendations will also benefit developers by simplifying calculations within the program and with other affordable housing programs.

H. Simplify In-Lieu Fee Calculations for Ownership Projects

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

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

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

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

I. Implement Automatic Annual In-Lieu Fee Rate Adjustments

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

- The current rental in-lieu fee rate of $25.00 per net sf of residential space has not been updated since adoption of the rental inclusionary housing requirements in July 2019. Had the in-lieu fee been implemented with an automatic adjustment to account for inflation based on the Consumer Price Index for All Urban Consumers (CPI-U) for the "Pacific" region, the equivalent fee as of September 2025 would be approximately $31.72 per sf of residential space.[12]

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

- The recommended automatic annual in-lieu fee rate adjustment calculation is based on the change in the CPI-U for the "Pacific" region, available from the U.S. Bureau of Labor Statistics.[13]

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

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

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

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

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

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

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

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

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

- The financial feasibility analysis indicates that Recommendation J would marginally increase financial feasibility.
    - For example, Prototype IV: Rental Mixed-Use Prototype would remain not likely feasible but would have an increased RLV of seven percent, from $97 to $104 per site sf.
    - For example, Prototype V: Rental Mixed-Use Large Prototype would remain not likely feasible but would have an increased RLV of seven percent, from $82 to $88 per site sf.
- Recommendation J would increase maximum monthly rent required from a tenant in an inclusionary unit.
- The lack of alignment between City programs and those used by state and federal agencies is posing complications for applicants and staff, especially when rents for inclusionary units may be calculated differently than HUD (Federal) and CTCAC (State) standards.
- Additional variables in the City's methodology for calculating income limits and maximum rents for inclusionary and affordable units should also be evaluated to better align with existing methodologies used for State and Federally funded affordable units, such as the City-specific Unit Size Adjustment Factor (USAF).

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APPENDIX A: ASSUMPTIONS AND FORMULAS

Income

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

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

City of Santa Barbara
Income Limits

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

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

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

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

Unit Monthly Rents and Sale Prices

Market-Rate Rents

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

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

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

Source: CoStar, 2025; BAE, 2025

Market-Rate Sales Prices

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

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

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

Source: Redfin, 2025; BAE, 2025.

Affordable Rents

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

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

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

City of Santa Barbara
Rent Limits

Effective Date: 4/1/2025

Area Median Income: $ 113,300

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

Maximum Rent Formula:

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

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

Affordable Sale Prices

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

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

City of Santa Barbara

AFFORDABLE HOUSING UNITS - MAXIMUM SALE PRICES

April 1, 2025

Area Median Income $ 113,300

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

Moderate thru Upper-Middle Assumes:

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

LOW Income Ownership Assumes:

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

Utility Allowances

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

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

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

Effective 01/01/25

Locality: / Localidad:

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

Monthly Allowance
Mensualidades Autorizadas

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

In-Lieu Fee Calculations

Existing Program

In-Lieu Fee Calculation for Ownership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In-Lieu Fee Calculation for Rental

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

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

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

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

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

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

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

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

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

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

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

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

In-Lieu Fee Rates and Inflation

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

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

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

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

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

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

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

Estimated Construction Cost for an Affordable Unit

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

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

Table 19: LIHTC Completed Project Sample for Construction Cost

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

Source: BAE, 2025.

Financial Feasibility Methodology

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

Residual Land Value

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

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

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

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

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

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

Financial Feasibility Thresholds

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

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

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

Table 20: Comparable Land Sales, Santa Barbara

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

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

APPENDIX B: INPUT FROM PRACTITIONERS

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

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

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

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

Financial Feasibility of Residential Development

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

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

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

Site Availability

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

Experience with Existing Inclusionary Program

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

Onsite Unit versus Fee Options

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

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

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

Affordability Covenant Lengths

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

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

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

AUD Program

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

Parking Requirements

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

Storm Water Management Program - Tier 4 Requirements

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

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

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

Potential for Condominium Development

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

State Density Bonus Law versus AUD Program

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

Experience with Local Density Bonus Ordinance

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

APPENDIX C: RESIDENTIAL PRO-FORMAS

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

Key Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Development Program Assumptions				Cost and Income Assumptions			Development Cost Analysis		
Site Size (acres)		0.69		**Development Costs**			**Hard Costs**		
Site Size (sf)		30,000		Residential Hard Costs, per sf	$443	(b)	Residential	$18,174,987	
				Commercial Hard Costs, per sf	$443	(b)	Commercial	$827,848	
BASE Dwelling Units		**43**		Podium Parking, per space	$40,000		Podium Parking	$1,800,000	
Commercial Space (sf, gross)		1,869		Underground Parking, per space	$70,000				
Gross Residential Area (sf)		41,027							
GBA (excluding parking, sf)		42,896					**Total Hard Costs**	**$20,802,835**	
Residential Circulation eff (%)		85%		**Soft Costs (as a % of hard costs)**	**15%**	**(c)**	*Hard Costs per Unit*	*$442,614*	
Net Residential (sf)		34,873		School Fees (per sf residential)	$3.79	(d)			
Average Unit Size (net, sf)		742		School Fees (per sf commercial)	$0.78	(d)	**Soft Costs**	$3,120,425	
							School Fee	$156,950	
Total Parking Spaces		45					Fractional Fee	$60,825	(g)
Surface Spaces		0		**Market-Rate Rental Prices**			**Total Soft Costs**	**$3,338,200**	
Podium Spaces		45		Market Rate Studio, per Month	$3,303	(e)			
Underground Spaces		0		Market Rate 1 BR, per Month	$3,912		**Developer Profit**	**$2,414,104**	
Parking Ratio (spaces per dwelling unit)		**1.05**		Market Rate 2 BR, per Month	$4,120				
Garage Size (sf)		19,096		Market Rate 3 BR, per Month	$4,883		**Total Development Costs (Excl. Land)**	**$26,555,139**	
							Cost per non parking sf	*$619*	
Affordable Units	10%	4.30	(a)	Moderate Income Studio, per Month	$1,604	(f)	*Cost per residential unit*	*$617,561*	
Bonus Density (# units)		4		Moderate Income 1 BR, per Month	$1,990				
Total Dwelling Units		**47**		Moderate Income 2 BR, per Month	$2,372		**Valuation Analysis**		
				Moderate Income 3 BR, per Month	$2,641		**Projected Revenue**		
Unit Mix	**%**	**#**		Commercial Revenue ($/sf)	$3.26		Gross Annual Income	$2,244,138	
Studio	9%	4.0					Less: Vacancy	($112,207)	
One-Bedroom	23%	11.0		Vacancy Assumption	5%		Less: Operating Expenses	($673,241)	
Two-Bedrooms	68%	32.0					Net Operating Income (NOI)	**$1,458,689**	
Three-Bedrooms	0%	0.0		Operating Expenses (% gross revenues)	30%				
Total	100%	**47.0**					Capitalized Project Value	$29,952,555	
				Developer Profit (as % of total project costs)	10%		Less Total Development Costs	($26,555,139)	
Affordable Breakdown	**Aff**	**Market**					**Residual Land Value (RLV)**	**$3,397,416**	
Studio	0.0	4.0		Capitalization Rate	4.87%				
One-Bedroom	1.0	10.0					***RLV/acre***	***$4,933,048***	
Two-Bedrooms	3.0	29.0					***RLV per Site sf***	***$113***	
Three-Bedrooms	0.0	0.0							
Total	4.0	43.0					*RLV per site sf Existing*	*$82*	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D: RESIDENTIAL NEXUS ANALYSIS

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

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

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

Step 1: Identify Housing Types and Prices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 4: Estimate New Worker Households by Household Income Level

For the residential nexus, Public Use Microdata Samples (PUMS) data was used to estimate worker household incomes for workers in each industry sector that is associated with job growth attributable to new market-rate residential units, as identified in the IMPLAN analysis in Step 3. Worker households[14] often have more than one employed person. The incomes of individual workers do not provide sufficient information to estimate the distribution of household incomes among new workers because worker households vary with respect to the number of other workers in the household and the individual incomes among any other workers in the household.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 6: Calculate the Maximum Nexus-Based Fee

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

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

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

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

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

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

APPENDIX E: OVERVIEW OF IMPLAN

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

What is IMPLAN?

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

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

National Industry Data. The model uses national production functions for 546 sectors to determine how an industry spends its operating receipts to produce its commodities. The model also uses a national matrix to determine the *byproducts*[15] that each industry generates. To analyze the impacts of household spending, the model treats households as an "industry" to determine their expenditure patterns. IMPLAN couples the national production functions with a variety of county-level economic data to determine the impacts for our example.

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

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

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

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

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

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

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

Specifying the "Event" and Running the Model

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

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

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

Summarizing the Impacts

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

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

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February 28, 2026

Dana Falk
Project Planner
City of Santa Barbara
Via Email: InclusionaryHousing@SantaBarbaraCA.gov

Subject: Draft Inclusionary Housing and In-Lieu Fee Study

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).[1] 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**.[2]

[1] 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.").
[2] 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.[3] 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."[4] 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 protypes 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.[5] Again, all project prototypes in the Study saw a significant

[3] 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.

[4] Draft Study, pp. 9, 48.

[5] 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.[6] 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.[7] 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**.[8]

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).

[6] See Draft Study, pp. 30-32.

[7] 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.").

[8] 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),[9] 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.[10] 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%.[11] 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

[9] 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."

[10] See Draft Study, p. 39, Table 9: In-Lieu Fee Rates by Construction Cost Analysis.

[11] 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.[12] 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.[13] 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.[14] 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

[12] 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).
[13] See Draft Study, p. 107, Table 26.
[14] 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.

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

Board of Directors
Jon Standring, *President*
Barry Taugher, *Vice President*
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October 6, 2026

Ordinance Committee
City of Santa Barbara
Via Email: ngrisanti@santabarbaraca.gov

Subject: Inclusionary Housing Ordinance Amendments

Dear Chair Gutierrez and Council Members:

The Coastal Housing Coalition (CHC), formed in 2005, is a nonprofit organization and the voice of local employers and employees in support of workforce housing. CHC advocates for housing available to households earning 120-200% of the area median income (AMI)-households that often earn too much to qualify for subsidized housing but too little to afford market-rate homes on the South Coast. Our volunteer board consists of industry professionals—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 proposed Inclusionary Housing Ordinance Amendments (Amendments). Inclusionary housing rules require builders of new housing to set aside a share of units at below-market rents or prices, or to pay an "in-lieu" fee to the City instead. We previously raised concerns with the City's Inclusionary Housing and In-Lieu Fee Study (Study), which provides the basis for these Amendments (see Attachment A). These concerns remain unaddressed. **Therefore, we respectfully request that you direct staff to revise the Amendments to address CHC's comments on the draft Study and the concerns set forth below.**

CHC wishes to emphasize and reiterate the following points:

1. The Study found that **under current market conditions, all typical multifamily development prototypes are financially infeasible**. Following the previous deliberations on the Study, the City's consultant, BAE, studied two additional in-lieu fee options and again found both options "**not likely feasible**." All of these analyses point to one conclusion: the Amendments will render a significant number of new residential developments **infeasible**—meaning **fewer residential projects will be built, leading to fewer market-rate and affordable units**. An infeasible project generates no new residential units or fees. Staff candidly acknowledges that the offset fee rates "were not calibrated for feasibility impacts on development." An ordinance whose central compliance mechanisms are demonstrated to render housing infeasible

contradicts Housing Element Policy H1.4 (reduce City-imposed constraints), Goal 1 (Create New Housing), and the City's obligation under Government Code section 65583(a)(5) and (c)(3) to analyze and remove governmental constraints, including fees and exactions. In plain terms: the City's own consultant concluded that, under today's construction costs, rents, and sale prices, typical multifamily projects are not financially viable. When a project does not make financial sense, it is not built, and the City receives neither new homes nor fees. State law and the City's own Housing Element direct the City to remove local barriers to housing like these, not add to them.

2. A "nexus" study is supposed to show a direct link between a new project and the need it creates. Here, **the Study is fundamentally flawed**. The Residential Nexus Study relies on an attenuated and speculative causal chain to justify taxing new residential development: "The residential nexus calculation ***assumes*** that new households in Santa Barbara will spend some of their money within the local economy, thereby supporting employment for new workers, a portion of which will be in need of affordable housing."[1] The Study asserts that new market-rate housing construction results in "induced demand" for lower- and moderate-income housing.[2] The Residential Nexus Study's flaws include:
    a. It assumes that occupants of new market-rate units are new households generating new spending, rather than existing residents moving within Santa Barbara. This ignores that the City's Housing Element recognizes significant overcrowding within residential units, suggesting that new units may be rented by households already living within the City. Intra-city moves generate no net new consumer spending.
    b. It ignores that new market-rate housing construction has been shown to stabilize or reduce rents in existing housing units by absorbing higher-income households.[3] When higher-income households move into new buildings, they stop competing for older apartments, which helps keep rents in check for the lower-income residents who rely on that housing. The Study ignores this proven concept. A nexus analysis that counts only the demand side and ignores this supply-side offset overstates impact.
    c. It conflates regional, pre-existing deficits with project impacts. The City's affordable housing shortfall reflects decades of underproduction. A fee may mitigate only the incremental impact attributable to the development on which it is imposed, not pre-existing deficiencies (Gov. Code, § 66001(g)). Requiring

[1] Study, App. D, p. 104.
[2] See Study, App. D, p. 112, Table 26.
[3] See, e.g., Eduardo Mendoza, 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 Phillips et al., Research Roundup: The Effect of Market-Rate Development on Neighborhood Rents, UCLA Lewis Center (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.

only new residential development to pay for hypothetical new demand without accounting for historical shortfalls likely violates the Mitigation Fee Act. State law does not allow the City to charge new projects to fix a housing shortage that built up over decades.

d. It neither credits the other revenue streams generated by "induced demand" nor imposes similar costs on other drivers of "induced demand." The very consumer spending contemplated by the Study's model generates sales tax, property tax, and transient occupancy tax revenue, yet the Study does not account for these offsetting revenues. Moreover, new or expanded commercial development may more directly "induce demand" for housing, but the Study does not address it.

The Study therefore fails to meet the requirements of the Mitigation Fee Act and risks constituting an unlawful exaction under the Fifth Amendment. As such, the City Council should **reject the Amendments as proposed until staff can develop legally defensible inclusionary housing requirements and in-lieu fees**.

3. The Amendments are calibrated to Moderate-Income rental units and Middle-/Upper-Middle-Income ownership units, but staff concedes that the in-lieu or offset fees deposited into the Local Housing Trust Fund likely would support lower-income households, not Moderate- and Middle-/Upper-Middle-Income households. A fee justified by the needs of one income group, but spent on housing for another, weakens the reasonable relationship between the fee's use and the need it purports to address (Gov. Code, § 66001(a)(3)). **The Amendments should earmark fee revenue for the income tiers that generate the obligation**, or the nexus analysis should be revised to justify the actual use of the funds.

4. The Amendments do not reflect that many jurisdictions have recognized that unsubsidized inclusionary requirements can suppress housing production. A recent paper concludes that **inclusionary zoning operates as a tax on residential construction that is paid by market-rate renters and that reduces the overall housing supply**.[4] Specifically, the paper finds that the typical inclusionary housing ordinance reduces residential construction by 31.8 percent.[5] The Oregon Legislature passed Senate Bill 1521, prohibiting cities within the greater Portland area from enacting unfunded inclusionary requirements due to a decade of underproduction of both market-rate and affordable units.[6] The City of San Francisco implemented recommendations from its Inclusionary Housing Technical Advisory Committee to reduce its inclusionary housing requirements from 15% to 5% to improve the feasibility of residential development and increase housing production.[7] When cities require builders to provide

[4] Noah Kouchekinia, Inclusionary Zoning and Housing Supply: Evidence from California's Palmer Fix (June 11, 2026) https://bpb-us-e2.wpmucdn.com/sites.uci.edu/dist/b/5302/files/2026/06/IZ_Kouchekinia.pdf.

[5] *Ibid*.

[6] See Oregon State Legislature https://olis.oregonlegislature.gov/liz/2026R1/Measures/Overview/SB1521 (accessed on Apr. 13, 2025).

[7] Inclusionary Housing Technical Advisory Committee Meeting (Apr. 7, 2026) https://www.sf.gov/meeting--april-2-2026---inclusionary-housing-technical-advisory-committee-meeting; San Francisco Planning, Inclusionary

below-market units without public funding to cover the cost, fewer homes of all types tend to be built, and other jurisdictions have scaled back these requirements for that reason. The Ordinance Committee should carefully consider whether the Amendments and Study align with the City's Housing Element goals and reflect the best practices of local agencies seeking to spur housing production at all income levels.

Accordingly, CHC requests that the Ordinance Committee direct staff to revise the Amendments and Study and meaningfully consider the following **recommendations**, which are more likely to achieve the City's goals:

- Calibrate inclusionary requirements to demonstrated financial feasibility so that requirements are set at levels projects can actually support.
- Protect small and mid-sized infill projects from disproportionate burden, as these projects have the least ability to absorb added costs.
- Streamline approvals for compliant projects to reduce the time and cost of building.
- Consider alternatives to imposing inclusionary housing requirements on housing developers, such as general fund revenues, special taxes, or commercial inclusionary fees, to fund affordable housing development and spread the cost of a community-wide need more broadly.

Thank you for considering these comments. CHC appreciates the City's commitment to revising the Amendments and Study to address public concerns and to develop policies that effectively incentivize the development of new housing supply. CHC welcomes the opportunity to work with the City on the Amendments, 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
Dana Falk

Affordable Housing Program https://sfplanning.org/project/inclusionary-affordable-housing-program#about (accessed on Oct. 5, 2026).

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November 16, 2026
Mayor and City Council
City of Santa Barbara
Via Email: Clerk@SantaBarbaraCA.gov

Subject: Inclusionary Housing Ordinance Amendments (CITY2026-00003), November 17, 2026 Agenda – Proposed Inclusionary Housing In-Lieu and Offset Fees

Dear Mayor and Councilmembers:

The Coastal Housing Coalition (CHC) is a nonprofit that speaks for local employers and employees in support of workforce housing for households earning 120-200% of the area median income. **We write to urge the City Council not to adopt the fee increases** in the Inclusionary Housing Ordinance Amendments (Amendments) and the related Fee Resolution, as described in the November 17, 2026 Council Agenda Report (Staff Report) and supported by the Inclusionary Housing and In-Lieu Fee Study (Study). The proposed Amendments and inclusionary fees will render new projects infeasible, reducing the supply of new housing for the majority of workers in Santa Barbara County who do not qualify for deed-restricted affordable housing, and increasing housing costs.

Our concerns come down to three points.

1. **The City's own analysis shows that a higher fee is not financially feasible.** The Study found that all five typical housing projects it tested are **"not likely feasible" under the City's current rules, before any fee increase** (Study, pp. 34-36). Staff's new feasibility analysis confirms the problem: every Council-supported scenario remains "**not likely feasible**." Even so, the Fee Resolution doubles the rental fee from $25 to $50 per square foot, adds a $50 fee for larger ownership projects and a $35 fee for small projects, and adds new offset fees of $91 (rental) and $72 (ownership) per square foot and a $760,250-per-lot fee for lot-only subdivisions (Fee Resolution, Exh. A). Staff concedes **the offset rates "were not calibrated for feasibility impacts on development"** (Staff Report, p. 7; Att. 1, p. 7). A fee charged on a project that never gets built produces no homes and no money for the Local Housing Trust Fund.
2. **The fee does not comply with applicable law.** State housing law and the City's Housing Element require the City to remove, not add, local barriers to housing (Gov. Code, § 65583(a)(5), (c)(3); Housing Element Policy 1.4). Staff's General Plan consistency analysis does not address Policy 1.4 (Staff Report, Att. 4, pp. 1, 4). A policy that is "not calibrated for feasibility impacts on development" almost certainly **violates Housing Element Law** and the City's Housing Element. In addition, under the Mitigation Fee Act and the U.S. Constitution, **a fee on new development must have a nexus to, and be roughly proportional to, the impact of that development** (Gov. Code, § 66001; *Sheetz v. County of El Dorado* (2024)

601 U.S. 267). The Study's "nexus" theory is that people in new homes will spend money locally, creating jobs, some of which will be held by lower-income workers who need housing (Study, App. D, p. 104). That chain assumes every new resident is a newcomer, ignores research showing new housing helps hold down rents in older buildings, and charges new projects for a shortage built up over decades (see attached letters for more details). The fee is also justified by moderate- and middle-income needs, yet the Amendments direct all fee revenue to the Local Housing Trust Fund (Staff Report, pp. 5, 8), which has largely supported lower-income housing. Setting the offset fees at the nexus maximum leaves no margin for error in that analysis. These are not abstract risks. The City of San Luis Obispo is currently being sued over a similar inclusionary fee as an unconstitutional condition, even though San Luis Obispo's rates ($21.42 to $26.73 per square foot) are a fraction of what is proposed here. (*Ruda v. City of San Luis Obispo* (C.D. Cal., No. 2:26-cv-02283, filed Mar. 4, 2026).)

3. **A higher fee means projects either will not get built or will use State Density Bonus Law to get bigger.** The Study shows that projects using State Density Bonus Law are "likely feasible," with land values of $157 and $187 per square foot, compared to $82 for the same site under City rules (Study, pp. 38-39). Nearly half of the multi-unit homes permitted this Housing Element cycle (174 of 409 units) already use the State program, and nearly all developers interviewed said it is more attractive than the City's programs (Study, pp. 18, 84). The Study itself warns that tougher local requirements make the State program "an even more attractive alternative," and that State bonus projects have not produced the moderate-income units the City's program is meant to deliver (Study, pp. 54-55). **Raising the fee will therefore push builders toward larger State-law projects with less local control, or toward not building at all.**

For these reasons, CHC respectfully asks the Council to:

- Keep the in-lieu fee at its current level until it can be set at a rate projects can actually support, and set any offset fee at a feasibility-tested rate rather than the nexus maximum.
- Adopt the Study's recommendation to count rental inclusionary units as bonus density, which the Study found improves project feasibility by 28% to 38% (Study, pp. 60-61).
- Fund affordable housing through broader sources, such as general fund revenues, special taxes, or commercial linkage fees, so that the cost of a community-wide need for affordable housing based on decades of under-development is shared community-wide.

Thank you for considering these comments. CHC welcomes the opportunity to work with the City on policies that produce more housing at all income levels, including workforce and missing-middle housing.

Sincerely,



Craig Minus
Executive Director

From: john campanella
To: City Clerk
Subject: Fwd: Inclusionary Housing Ordinance Amendments - November 16, 2026
Date: Tuesday, November 17, 2026 9:30:27 AM
Attachments: Inclusionary Housing Ordinance Amendments, November 16, 2026.docx

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City Clerk:

Please confirm you have received my letter and it has been distributed to the City Council.

Thank you.

John Campanella

---------- Forwarded message ---------
From: **john campanella** <johnsonofphil@gmail.com>
Date: Mon, Nov 16, 2026 at 11:45 AM
Subject: Fwd: Inclusionary Housing Ordinance Amendments - November 16, 2026
To: <Clerk@santabarbaraca.gov>
Cc: <kmcadoo@santabarbaraca.gov>, DeBusk, Allison L. <ADebusk@santabarbaraca.gov>, Dana Falk <dfalk@santabarbaraca.gov>

City Clerk:

Good morning.

Please distribute to the City Council, my letter attached on Inclusionary Housing Ordinance Amendments, Item 14. on tomorrow's agenda.

Thank you.

John Campanella

November 16, 2026

Mayor and Councilmembers:

Please consider the following comments and recommendations regarding the proposed Inclusionary Housing Ordinance Amendments.

Goal

Encourage private developers to either include affordable housing in their projects or pay fees that support the production of affordable housing by nonprofit organizations.

Facilitation

Establish a financially feasible policy that provides private developers with a realistic choice between these two alternatives.

Role of City Council

Evaluate and approve an Inclusionary policy supported by financial feasibility analysis and capable of achieving the City's intended housing production goals.

Current Status

As analyzed in Attachment 3 to the staff report, Financial Feasibility Analyses:

- Either building affordable housing or paying a proposed Offset Fee are considered "not likely feasible" under the proposed amendments.

This finding applies to both the Rental Mixed-Use Large Prototype (43 units) and the Owner Prototype (15 units).

The BAE study assumed a $150 per sq ft residual land value for the rental prototype and $125 per sq ft residual land value for the owner prototype.

Question: Downtown Land Costs

The City's goal is to significantly increase housing production within the Downtown Priority Overlay. This raises an important question:

What is the current estimated cost per sq ft of the downtown properties identified as vacant or underdeveloped in the Housing Element?

These land costs should also be incorporated in BAE's financial feasibility analyses to provide a more realistic assessment of the incentives needed to make downtown development financially feasible.

Recommendations

1. **Building Affordable Housing**: Have BAE determine how many bonus market-rate units would be required to make each building prototype financially feasible, and also take into account downtown land costs.

2. **Offset Fee Alternative**: Have BAE determine the Offset Fee per sq ft that would make this alternative financially feasible for each building prototype, and also take into account downtown land costs.

3. **Finalization of Inclusionary Amendments**: Defer final adoption of the amendments until these additional financial analyses and recommendations are available for Council review.

Comments on Alternatives

* Approving amendments that are considered not likely feasible and relying on monitoring over the next few years would do little to advance project approvals or affordable housing production during the current RHNA cycle.

* Applying the proposed Better Buildings Pilot Program incentives to encourage greater Inclusionary housing production downtown may be premature. The underlying amended Inclusionary policy has not yet demonstrated financial feasibility. Both programs should be evaluated together to understand their combined financial impact and their potential contribution to downtown housing production.

Conclusion

The objective should be to adopt an Inclusionary policy that results in the production of both affordable and market-rate housing.

Before adopting the proposed amendments, Council should have the financial modeling necessary to determine how many bonus market-rate units and what level of Offset Fee would make both alternatives financially workable, particularly in the downtown.

The fundamental issue is how best to balance Inclusionary requirements and incentives to actually get housing built.

Thank you for considering these comments and recommendations.

Sincerely,

John Campanella

From:	Dana Falk
To:	City Clerk; Allison DeBusk
Subject:	FW: Inclusionary Housing Comments
Date:	Tuesday, November 17, 2026 10:30:06 AM
Attachments:	Letter to Santa Barbara City Council Inclusionary Housing final.pdf

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

From: Lisa C <lisacarlosq@gmail.com>
Sent: Tuesday, November 17, 2026 10:25 AM
To: Wendy Santamaria <WSantamaria@santabarbaraca.gov>; Kristen Sneddon <KSneddon@SantaBarbaraCA.gov>; Randy Rowse <rrowse@santabarbaraca.gov>; Eric Friedman <EFriedman@SantaBarbaraCA.gov>; Meagan Harmon <MHarmon@SantaBarbaraCA.gov>; Mike Jordan <MJordan@SantaBarbaraCA.gov>; Oscar Gutierrez <OGutierrez@SantaBarbaraCA.gov>
Cc: Caroline Paine <cpaine@SantaBarbaraCA.gov>; Dana Falk <dfalk@santabarbaraca.gov>; Rosie Dyste <rdyste@SantaBarbaraCA.gov>; Kelly R. McAdoo <KMcAdoo@SantaBarbaraCA.gov>; Alelia Parenteau <AParenteau@SantaBarbaraCA.gov>
Subject: Inclusionary Housing Comments

Dear City Council -

Please read my attached public comments on today's agenda item on inclusionary housing.

Best,
Lisa Carlos
Resident

Nov 17, 2026

Re: Inclusionary Housing Ordinance Amendments (CITY2026-00003), November 17, 2026 agenda

Dear Mayor and Councilmembers,

I write as an affordable housing advocate with many years of first-hand experience watching how inclusionary housing impacts local communities here and in the Bay Area. I strongly encourage you to adopt the staff recommendation, including offset fee rates of $91 per square foot for rental projects and $72 for ownership projects.

Reasons to support the maximum offset fee & staff recommendation

- **It encourages mixed income, not segregated housing.** Staff describes these rates as the highest legally defensible amounts under the Residential Nexus Study. They are set so that building inclusionary homes on site costs less than paying the fee.
- **Developers still gain more flexibility than the current ordinance.** The ordinance adds off-site units, acquisition and rehabilitation of existing units, and inclusionary units counted in addition to allowed density.
- **Downtown already allows zero inclusion for adaptive reuse.** This Council exempted smaller downtown adaptive reuse projects from inclusionary requirements. A lower downtown rate, such as the $73 per square foot a Planning Commission majority proposed, would go further in the same direction.
- **Encouraging off set fees doesn't square with Fair Housing intent or our Housing Element.** It would also be hard to square with the City's duty under state law to affirmatively further fair housing. And allowing 100% market rate housing is not aligned with the percentage of low and moderate income housing identified in selected sites inventory that was included in our Housing Element.

Why encouraging homes be built on site concurrently is the right goal

- **It keeps workers living locally.** It means new homes for those who can pay market rent, and a commute for the retail, hospitality, city and county workers who keep our community running and our tourism industry profitable.
- **A fee builds housing somewhere else, someday, if at all.** Every project that pays it adds a downtown building with no affordable homes. If Santa Barbara wants the people who work downtown to live downtown, those homes have to be in the buildings you approve.
- **It mitigates the demand for affordable housing concurrently.** The whole point of inclusionary housing is to help reduce the adverse impact to our affordable housing crisis created by market rate projects. If that housing isn't built at the same time, we're only making our crisis worse, not better.
- **Inclusionary is the only vehicle for moderate-income homes.** The City's current inclusionary policy is geared to moderate-income households (80–120% of area median income for rental projects), and there is no public funding source for moderate-income housing. Most housing the Local Housing Trust Fund supports will leverage Low-Income Housing Tax Credits, which serve lower-income households.

- **Opting for state density bonus is actually an okay alternative.** If a maximum offset fee leads developers to use state bonus density instead, those rental projects must include on-site homes for low-income households, which is the actual income level of our downtown workforce. So that is not necessarily a bad thing.
- **Parking lot affordable housing projects are not enough.** Affordable projects on public parking lots will not, on their own, make our downtown inclusive. But they absolutely must be pursued and quickly to make up the growing gap in the production of market rate and affordable housing production

Recommendation

- **Keep the maximum offset fee now.** Design a policy from a position of strength, not from an inclusionary policy that has already been diluted.
- **Use the Better Buildings Pilot Program for further flexibility.** The program opens the door to adjusting the offset fee rate and affordability as part of a larger package of incentives. Staff itself recommends it as the more appropriate vehicle for any reduced rate.

Respectfully yours,

Lisa Carlos

From: Stacy Rebich Hespanha
To: City Clerk
Subject: Public comment on 11/17/26, Item 14: Inclusionary Housing Ordinance Amendments
Date: Tuesday, November 17, 2026 10:33:10 AM

Dear Mayor and Council members,

I appreciate the time and care that staff, the Planning Commission and Council have put into this update, and the several public hearings it has had along the way.

I look at housing policy with a few questions in mind. Who pays, who benefits, and who gets to build ownership and equity? Have we looked carefully at the alternatives? Are decisions made in public view, with the same rules for everyone and many perspectives at the table?

Together with the related update to the Affordable Housing Policies and Procedures (Item 5), these amendments ask Council to accept several trade-offs. Each is likely to reinforce the trend toward greater wealth inequality. These trade-offs are made in the hope that they help large private developer-led housing projects pencil. The City's own study finds that they still likely won't. Before we accept trade-offs like these, I hope we can look at alternatives.

These trade-offs move wealth toward property owners and still leave projects infeasible

Three changes shift money from renters and the public to property owners

Recommendation J of the City's Inclusionary Housing and In-Lieu Fee Study (the BAE Study) raises the target income for rental inclusionary units from 100% to 110% of area median income (AMI). [1] I think it's important to put that into terms that are more familiar to most people. With this change, a moderate-income renter would pay about $2,100 to $3,600 more a year, depending on unit size. The change also means that the landowner or developer's property value would go up by somewhere between $28,500 and $47,500 for each unit. [2]

This ordinance itself includes two other similar trade-offs. Adaptive reuse projects in the Central Business District with fewer than 40 rental units are exempt from inclusionary housing. [3] The Study never analyzed adaptive reuse, but by its figures for new construction, each inclusionary unit a project no longer has to provide is worth roughly $300,000 more to the owner at market rent. [4]

The in-lieu fee for fractional units doubles, from $25 to $50 per square foot, but stops short of the Study's own estimate of what it costs to replace the unit, "because that maintains better feasibility." [5] It helps to know what feasibility means here. In the Study, a project is feasible if a developer can pay market prices for land, construction and financing, and still earn a 10 to 15% profit on top. [6] So "better feasibility" treats the profits of landowners, lenders and developers as fixed. Every concession needed to get affordable housing built has to come from the public and from moderate-income renters.

The Study's prototypes stay infeasible, and each incentive pushes land prices up

Not everyone may see it this way, but I think of these changes as the latest in a series of moral compromises. The numbers speak for themselves in terms of how they direct wealth. We have been accepting these compromises in the hope they will help fix our housing affordability problem. But this is almost certainly false hope. Neither prototype analyzed for Council becomes feasible under today's rules or with any of the changes now before Council, because the land costs more than the projects can support. [7]

It is also a slippery slope, because each compromise makes the next one more likely. An incentive raises the value of every eligible property as soon as it is granted, whether or not any project goes forward. The Study measures feasibility against recent local land prices, so each incentive raises the bar it was meant to help projects clear. [8] When incentives keep growing, waiting for the next one can be the rational choice for any property owner. I think that dynamic is part of why downtown projects have been so hard to pencil.

These projects create about twice the affordable housing need they supply

The kind of development we keep trying to make pencil also creates more need for affordable housing than it supplies. By the Study's nexus analysis, every 100 new market-rate rental units create demand for about 22 worker households who need affordable housing. [4] The inclusionary requirement supplies about 10 units per 100, and an exempt project supplies none. So the model creates about twice the need it supplies. Inclusionary units also serve moderate-income households, while nearly all of the new need is at low, very low and extremely low incomes. Even after counting the inclusionary units, housing the remaining households would cost the public about $6.8 million for every 100 market-rate units. [4] It is hard to see how we close that gap by continuing down this path.

Our community is already aware of other models, but we haven't given them serious consideration

We have studied only one model

For a long time, we have assumed that developer-led projects are how housing gets built here. I think that assumption has confined us to a very narrow model of affordable housing development. The prototypes studied vary in size and type, but they are all developer-led projects on land bought at market price. Raising the AMI percentage is an incentive. We haven't even done the work to evaluate whether other incentives, tied to other development models, might get better results without requiring the same unpalatable trade-offs.

City records and other communities point to others

There are mentions of other options in other City documents:

- <!--[if !supportLists]-->• <!--[endif]-->The Housing Crisis Ad Hoc Committee recommended community land trusts, co-ops and ownership opportunities on City property. [9]
- <!--[if !supportLists]-->• <!--[endif]-->Title 30 lists limited-equity cooperatives as Priority Housing. [10]
- <!--[if !supportLists]-->• <!--[endif]-->Habitat for Humanity has proposed turning a 100-year-old office building into an affordable home for sale, with a deed-restricted ADU on the same lot, using a $400,000 grant from the Local Housing Trust Fund. [11]
- <!--[if !supportLists]-->• <!--[endif]-->Accessory dwelling units were 141 of the 255 units permitted in 2025, more than half. [12] Incentives could encourage more owners to build them as long-term affordable homes.

The Study's prototypes included no community land trusts, cooperatives, small conversions or affordable ADUs. An analysis of these models could answer practical questions. What would it take to get more affordable homes this way? What incentives would help, and what untapped capital could we bring in? Which projects might go forward?

Other communities are already building housing this way. The San Francisco Community Land Trust stewards 174 permanently affordable homes for more than 300 residents. [13] The Champlain Housing Trust in Burlington, Vermont has 706 shared-equity homes and 2,929 permanently affordable apartments. Its homes sold last year for an average of $169,000, where market prices exceed $500,000. Over 40 years, more than 1,300 families have bought its homes and built wealth. [14]

Local people could bring land, money and ideas

We have many good-hearted people in our community who could help get projects built for a more modest return. Some want to make patient impact investments that help to create the community they want. Others own property they plan to sell and would like their property's next chapter to benefit the community. They might sell below market price, or finance the sale themselves at a below-market rate, to create a guarantee that the homes will stay affordable permanently. Beyond land and money, residents, owners of small properties, including those who live in them, and community ownership groups have ideas and resources to contribute.

Two of the recommended changes would make fee rates and fee money harder for the public to see and weigh in on

However Council views the trade-offs and alternatives above, the ordinance also changes how visible fee decisions will be. That connects to the last question I started with: are decisions made in public view?

Changes to base fee rates deserve a full public conversation

The amendments move the base fee rates out of the ordinance and into the City's Fee Schedule, which Council adopts by resolution. That means the rates can be changed each year in the budget, or by a separate resolution at any meeting. Yearly inflation adjustments are already automatic in the ordinance and need no new process. [15]

My concern is with how we change the base rates themselves, beyond those automatic adjustments. A resolution can pass at a single meeting, sometimes on the consent calendar. Even members of the public who are motivated to follow these decisions have only the few days between agenda posting and the meeting to learn about a change, consider it and comment. We also lose the chance to hear how Council members are thinking about these changes. In the budget fee schedule, a rate change would be one line among hundreds of fees, at a time when many decisions are made at once.

This ordinance shows why the conversation is worth having. The Planning Commission, the Ordinance

Committee and Council each weighed these rates, and they reached different views. [16] Council made its choice, and the public could see and weigh each perspective along the way. Affordable housing is a topic our community cares deeply about. I don't see a compelling reason to make rate-setting faster than it is today.

The public should be able to see how inclusionary fees are used

The amendments repeal the Affordable Housing Inclusionary Fund section. [17] That section requires an annual report to Council on the Fund's income, expenses, disbursements and other uses, and on the inclusionary units built that year. It also commits the City to comply with the Mitigation Fee Act. [18] Nothing in the new text or the Local Housing Trust Fund ordinance replaces either one. The new offset fee would also be available by right, with no hearing and no discretionary review. [19] When a project chooses to pay instead of building affordable units, the public will have no occasion to see it. Regular public reporting would be the only way to know how often that happens, how much is paid, how the money is used, and what waivers or delayed payments are granted.

Requests

I request that Council:

1. Adopt the citywide offset fee rates at the maximums, as recommended, with no separate downtown rate.
2. Direct staff to analyze other models, including small-property redevelopment, community-owned housing on City land, limited-equity cooperatives and community land trusts. The analysis should have the same rigor as the BAE Study and include community participation.
3. Until that analysis is done, avoid or reverse trade-offs that are likely to add to wealth inequality or to the shortage of affordable housing. In this package, that means keeping the rental inclusionary target at 100% of AMI; setting the in-lieu fees for fractional units at the rates the Planning Commission recommended ($91.41 per square foot for rentals and $72.53 for ownership, and $50 for projects under 10 units); and removing the inclusionary exemption for adaptive reuse projects in the Central Business District with fewer than 40 rental units. [20]
4. Apply the same rules and process to every project, unless an analysis shows how the community as a whole benefits from treating some projects differently.
5. Keep the base fee rates in the ordinance. If they move to a resolution, require a feasibility analysis and a separate public hearing for any change beyond the automatic inflation adjustment.
6. In the rewritten Inclusionary Housing chapter (Chapter 30.160), require an annual public report on inclusionary fee revenue and its use (including any transfers), and on each project's compliance choice, waivers and delayed payments. Keep the current commitment to comply with the Mitigation Fee Act.

Council is being asked to accept trade-offs that could be expected to add to wealth inequality in our community. Before taking them, I hope we will look more broadly. Once we know which incentives are likely to bring the greatest public benefit, we can choose among them with confidence. Until then, I hope we can keep the same rules for everyone. We have community-minded people who want to help solve this problem and who weigh benefits beyond profit. Let's bring them into the work.

Thank you for your time and your work on affordable housing.

Sincerely,

Stacy Rebich Hespanha

Sources

[1] BAE Urban Economics, Inclusionary Housing and In-Lieu Fee Study (April 2026), Recommendation J, p. 62; Item 14, Attachment 1, packet p. 442.

[2] Rents: City of Santa Barbara Income and Rent Limits, effective May 1, 2026 (area median income $118,600). Maximum rent is AMI × target income % × unit size factor × 30% ÷ 12, so moving from 100% to 110% adds $177.90 a month for a studio and $296.50 for a three-bedroom. Value: the Study values rental projects at net operating income (rent less 5% vacancy and 30% operating costs) divided by a 4.87% capitalization rate (Study, Appendix A, pp. 75–76). Each added dollar of annual rent adds about $13.35 of value.

[3] Item 14 draft ordinance, Section 7, § 30.185.045.J.3.a, packet p. 498 (carried forward from Ordinance

6191, adopted Oct 21, 2025).

[4] BAE Study. Value to the owner: the Study's affordability gap for a new two-bedroom is $1,986 a month (market-rate housing costs of $4,535, against $2,549 affordable to a moderate-income household of three; p. 20). Valued as in note 2 ($1,986 × 12 × 0.65 ÷ 0.0487), that is about $318,000 per unit, or about $275,000 at 110% AMI rents. The rental requirement is 10% of units (p. 23). Public cost: Appendix D, Tables 26–28, pp. 108–112. Every 100 new market-rate rental units generate need for 21.9 worker households earning up to 120% of AMI, with a public financing gap of $74,134 per market-rate unit. The Study did not model adaptive reuse projects (pp. 28–29). Of the 21.9 households per 100 units, 20.6 are at extremely low, very low and low incomes and 1.3 at moderate income (Table 28, p. 112). Unmet need: the financing gap for the 1.3 moderate-income households per 100 units is $620,665; the rest, about $6.79 million of the $7.41 million, is for extremely low, very low and low-income households that moderate-income inclusionary units don't serve (Table 28).

[5] Item 14, Attachment 1, packet pp. 443–445 ("because that maintains better feasibility"; the Planning Commission unanimously recommended $91.41 and $72.53 for 10+ units and $50 for smaller projects). The Study estimates the cost of replacing an inclusionary unit at $72.52–$73.66 per square foot for rentals and $83.00 for ownership (Tables 7–8, p. 41). The current fee for fractional units in rental projects is $25 per square foot (Study, p. 23).

[6] BAE Study, p. 31 and Appendix A, pp. 75–76. Developer profit is 10–15% of total development cost. Land is counted at market price, and soft costs include financing (Appendix C).

[7] Item 14, Attachment 3, packet pp. 463–465.

[8] BAE Study, Appendix A, pp. 75–76. Residual land value "represents how much the developer can afford to pay for land." Feasibility thresholds are "based on recent sales in the City of Santa Barbara, as well as conversations with local developers."

[9] Nov 12, 2024 Council agenda packet, Housing Crisis Ad Hoc Committee recommendations 11 and 12.

[10] SBMC Ch. 30.300, Definitions, "Priority Housing."

[11] June 30, 2026 Finance Committee, Item 1 (Local Housing Trust Fund grant to Habitat for Humanity of Southern Santa Barbara County).

[12] City of Santa Barbara, 2025 General Plan Annual Progress Report (accepted Mar 17, 2026), pp. 3-10 and 3-12.

[13] San Francisco Community Land Trust, "About Us" (sfclt.org, accessed Nov 16, 2026).

[14] Champlain Housing Trust, Annual Report, Fiscal Year 2025, pp. 1–3.

[15] Item 14 staff report, packet p. 438; draft SBMC § 30.160.050.B, packet p. 488.

[16] Item 14, Attachment 1, packet pp. 442–446; staff report, packet p. 438.

[17] Item 14, Attachment 2, packet p. 460.

[18] SBMC § 30.160.130(B), (D) and (E).

[19] Item 14 staff report, packet p. 447: "no discretionary review and no public hearing would be required for an applicant to satisfy inclusionary housing requirements with an offset fee payment."

[20] Recommendation J is carried out in Table 2 of the Affordable Housing Policies and Procedures (Item 5 on this agenda, packet p. 86), not in the Item 14 ordinance (Item 14, Attachment 1, packet p. 450). Exemption: note 3.

From:	Richard Flacks
To:	City Clerk
Cc:	Wendy Santamaria; Kristen Sneddon; Meagan Harmon; Oscar Gutierrez; Eric Friedman; Mike Jordan; Randy Rowse
Subject:	in lieu fee issue
Date:	Tuesday, November 17, 2026 10:55:15 AM

Dear Mayor and city council members

i just now received Lisa Carios' letter to you about the inclusionary in lieu fee issue. SBCAN has already communicated a similar position on this but her letter spells outd so well the issue and the argument that we wanted to add our voice urging that you give it yout close attention. Thanks as always for your labors.

Sincerely,
Dick Flacks

From:	Rich Appelbaum
To:	Randy Rowse; Kristen Sneddon; Wendy Santamaria; Eric Friedman; Oscar Gutierrez; Meagan Harmon; Mike Jordan; City Clerk
Cc:	Wayne Mellinger; Daniel Timberlake; Laurence Severance; Barbara Andersen; Kelly R. McAdoo
Subject:	Agenda Item #14: Inclusionary Housing Ordinance Amendments
Date:	Tuesday, November 17, 2026 12:57:26 PM
Attachments:	CLUESB letter to City Council re rInclusionary Housing Ordinance Amendments 11-17-26.pdf

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Dear Mayor Rowse and City Council members,

CLUE'S letter is attached. See you soon!

Best,
Rich

CLUE Santa Barbara
Clergy and Laity United for Economic Justice
1500 State Street, Santa Barbara, CA 93101
clue@cluesb.org

November 17, 2026

Mayor Randy Rowse	RRowse@SantaBarbaraCA.gov
Mayor Pro Tem/Councilmember Kristin Sneddon	KSneddon@SantaBarbaraCA.gov
Councilmember Wendy Santamaria	WSantamaria@SantaBarbaraCA.gov
Councilmember Eric Friedman	EFriedman@SantaBarbaraCA.gov
Councilmember Mike Jordan	MJordan@SantaBarbaraCA.gov
Councilmember Oscar Gutierrez	OGutierrez@SantaBarbaraCA.gov
Councilmember Meagan Harmon	MHarmon@SantaBarbaraCA.gov
Santa Barbara City Council Clerk	Clerk@SantaBarbaraCA.gov

RE: Agenda Item #14: Inclusionary Housing Ordinance Amendments

Dear Mayor Rowse and City Council members:

CLUE Santa Barbara (CLUE-SB) strongly supports the Housing Authority and city staff's recommendation: retain the $91 per square foot rental offset fee citywide, with no reduction for the Central Business District. We oppose the Planning Commission's proposed $73 downtown rate.

The City's top priority should be to provide affordable rental homes within new projects, including those that are downtown. The very word "inclusionary" reflects the principle that these projects should enable moderate-income households to live alongside those who can afford Santa Barbara's high market rents. Offset fees are by definition exclusionary. In exchange, they should be set at a level that will maximize revenues for the affordable housing that inclusionary housing would otherwise provide.

The Nexus study claims that the highest legal fee, $91, would discourage development altogether. We questioned this in our April 14 letter to the Planning Commission. Among other considerations, paying the offset fee spares developers decades of covenant obligations: capped rents, income checks on tenants, yearly compliance and other reporting, and constraints on refinancing or selling. Additionally new housing projects, if history is any lesson, will likely appreciate significantly over time. Finally, it is also worth noting that building new projects has a multiplier effect: the Nexus study estimates that each 100 new market-rate apartments generate the need for some 22 affordable homes for local workers. This additional housing also requires the higher fees if they are to be covered.

No one has shown that a downtown discount would produce a single additional home. It may simply boost profits on projects already headed forward. If downtown needs incentives, staff's proposed Better Buildings Pilot Program is the right place to consider them.

Santa Barbara's housing crisis is long-term and worsening. Redevelopment Agency funds that once helped finance affordable units are gone. Federal and state housing resources are shrinking, not growing. Meanwhile, the cost of land and construction continues to climb. The City's Local Housing Trust Fund is one of the few tools that remains under local control — but only if it is adequately funded. Setting adequate in-lieu fees, when building required affordable units is deemed infeasible, is a small but necessary step in addressing this critical problem.

Respectfully submitted,

CLUE-Santa Barbara Housing Justice Workgroup, by:

/s/ Richard Appelbaum

/s/Laurence Severance

/s/ Wayne Mellinger

/s/ Daniel Timberlake

From: Matt Gelfand on behalf of matt@caforhomes.org
To: City Clerk
Cc: "Dylan Casey"
Subject: Inclusionary Housing Ordinance Amendments (CITY2026-00003)
Date: Tuesday, November 17, 2026 1:31:23 PM
Attachments: 2026.11.16 CHC Comment Letter to City Council Inclusionary In Lieu Fee(53632073.1).pdf

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Some people who received this message don't often get email from matt@caforhomes.org. Learn why this is important

Hello,

On behalf of Californians for Homeownership and the California Housing Defense Fund, we hereby join in the attached letter from the Coastal Housing Coalition regarding Agenda Item 14 on the City Council's agenda. In addition to the concerns raised in the letter, we note that the City has not considered the additional tax revenues that will be derived from residential development, which it must consider in assessing the proportionality of its fees.

Sincerely,

Matthew Gelfand
Supervising Counsel
Californians for Homeownership

Board of Directors
Jon Standring, *President*
Barry Taugher, *Vice President*
Wes McRae, *Treasurer*
Laura Benard
Ellen Bildsten, AIA
Roxanna Bonderson
Christopher Guillen
Paul Gherini
Krista Pleiser

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(805) 403-2752
www.coastalhousingcoalition.org
Fed Tax ID # 20-1652456

November 16, 2026
Mayor and City Council
City of Santa Barbara
Via Email: Clerk@SantaBarbaraCA.gov

Subject: Inclusionary Housing Ordinance Amendments (CITY2026-00003), November 17, 2026 Agenda – Proposed Inclusionary Housing In-Lieu and Offset Fees

Dear Mayor and Councilmembers:

The Coastal Housing Coalition (CHC) is a nonprofit that speaks for local employers and employees in support of workforce housing for households earning 120-200% of the area median income. **We write to urge the City Council not to adopt the fee increases** in the Inclusionary Housing Ordinance Amendments (Amendments) and the related Fee Resolution, as described in the November 17, 2026 Council Agenda Report (Staff Report) and supported by the Inclusionary Housing and In-Lieu Fee Study (Study). The proposed Amendments and inclusionary fees will render new projects infeasible, reducing the supply of new housing for the majority of workers in Santa Barbara County who do not qualify for deed-restricted affordable housing, and increasing housing costs.

Our concerns come down to three points.

1. **The City's own analysis shows that a higher fee is not financially feasible.** The Study found that all five typical housing projects it tested are **"not likely feasible" under the City's current rules, before any fee increase** (Study, pp. 34-36). Staff's new feasibility analysis confirms the problem: every Council-supported scenario remains "**not likely feasible**." Even so, the Fee Resolution doubles the rental fee from $25 to $50 per square foot, adds a $50 fee for larger ownership projects and a $35 fee for small projects, and adds new offset fees of $91 (rental) and $72 (ownership) per square foot and a $760,250-per-lot fee for lot-only subdivisions (Fee Resolution, Exh. A). Staff concedes **the offset rates "were not calibrated for feasibility impacts on development"** (Staff Report, p. 7; Att. 1, p. 7). A fee charged on a project that never gets built produces no homes and no money for the Local Housing Trust Fund.
2. **The fee does not comply with applicable law.** State housing law and the City's Housing Element require the City to remove, not add, local barriers to housing (Gov. Code, § 65583(a)(5), (c)(3); Housing Element Policy 1.4). Staff's General Plan consistency analysis does not address Policy 1.4 (Staff Report, Att. 4, pp. 1, 4). A policy that is "not calibrated for feasibility impacts on development" almost certainly **violates Housing Element Law** and the City's Housing Element. In addition, under the Mitigation Fee Act and the U.S. Constitution, **a fee on new development must have a nexus to, and be roughly proportional to, the impact of that development** (Gov. Code, § 66001; *Sheetz v. County of El Dorado* (2024)

601 U.S. 267). The Study's "nexus" theory is that people in new homes will spend money locally, creating jobs, some of which will be held by lower-income workers who need housing (Study, App. D, p. 104). That chain assumes every new resident is a newcomer, ignores research showing new housing helps hold down rents in older buildings, and charges new projects for a shortage built up over decades (see attached letters for more details). The fee is also justified by moderate- and middle-income needs, yet the Amendments direct all fee revenue to the Local Housing Trust Fund (Staff Report, pp. 5, 8), which has largely supported lower-income housing. Setting the offset fees at the nexus maximum leaves no margin for error in that analysis. These are not abstract risks. The City of San Luis Obispo is currently being sued over a similar inclusionary fee as an unconstitutional condition, even though San Luis Obispo's rates ($21.42 to $26.73 per square foot) are a fraction of what is proposed here. (*Ruda v. City of San Luis Obispo* (C.D. Cal., No. 2:26-cv-02283, filed Mar. 4, 2026).)

3. **A higher fee means projects either will not get built or will use State Density Bonus Law to get bigger.** The Study shows that projects using State Density Bonus Law are "likely feasible," with land values of $157 and $187 per square foot, compared to $82 for the same site under City rules (Study, pp. 38-39). Nearly half of the multi-unit homes permitted this Housing Element cycle (174 of 409 units) already use the State program, and nearly all developers interviewed said it is more attractive than the City's programs (Study, pp. 18, 84). The Study itself warns that tougher local requirements make the State program "an even more attractive alternative," and that State bonus projects have not produced the moderate-income units the City's program is meant to deliver (Study, pp. 54-55). **Raising the fee will therefore push builders toward larger State-law projects with less local control, or toward not building at all.**

For these reasons, CHC respectfully asks the Council to:

- Keep the in-lieu fee at its current level until it can be set at a rate projects can actually support, and set any offset fee at a feasibility-tested rate rather than the nexus maximum.
- Adopt the Study's recommendation to count rental inclusionary units as bonus density, which the Study found improves project feasibility by 28% to 38% (Study, pp. 60-61).
- Fund affordable housing through broader sources, such as general fund revenues, special taxes, or commercial linkage fees, so that the cost of a community-wide need for affordable housing based on decades of under-development is shared community-wide.

Thank you for considering these comments. CHC welcomes the opportunity to work with the City on policies that produce more housing at all income levels, including workforce and missing-middle housing.

Sincerely,



Craig Minus
Executive Director