



Home Builders Association
OF THE CENTRAL COAST
creating quality housing and communities

Joint Policy Statement

San Luis Obispo County's Housing Crisis & Inclusionary Housing Principles

San Luis Obispo County Housing Trust Fund (SLOCHTF), and Home Builders Association of the Central Coast (HBACC)

The San Luis Obispo County Housing Trust Fund (www.slochtf.org) and Home Builders Association of the Central Coast (www.hbacc.org) believe that well-intentioned but misdirected government land use policies have harmed San Luis Obispo County's quality of life, health and long-term sustainability by making moderately priced housing harder to build. Delegates from both groups spent countless hours creating this joint statement concerning the local housing crisis and inclusionary housing policies.

The two organizations disagree on the fundamental merits of inclusionary housing programs, but agree on a number of policies that must be included in order to make inclusionary programs more effective and equitable. These policies are outlined in this document.

We also agree that it is impossible to produce the amount of affordable housing that San Luis Obispo County needs through inclusionary housing alone. At best, inclusionary requirements can only be a small part of a much larger strategy for addressing local housing needs.

The Problem:

Not enough homes are being built to meet the local needs:

- Housing has become too expensive for the workforce and new families to rent or buy;
- Young families and the workforce are leaving to find moderately priced homes in which to raise children;
- Local workers are being forced to commute long distances because affordable housing is not built near jobs;
- Employers are leaving the community or expanding elsewhere because the lack of affordable housing makes it difficult for them to attract and retain skilled workers;
- Public services, social services, medical care, education and the economy are suffering as current employees retire and employers are unable to replace them; and
- Our highways and streets are becoming more congested, their maintenance declines and air quality is degraded as fewer homes are built near job centers.

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The Cause:

The land use planning process has not adequately planned for today or tomorrow:

- Not enough land is zoned for the various types of residential development we need in order to house an economically and socially diverse community;
- Proposals for more affordable, well-designed higher density developments are opposed by neighbors and rejected by local governments;
- The development review process is unnecessarily time-consuming and expensive even for the most routine projects; and
- New construction is forced to bear an unreasonable portion of the cost of providing infrastructure and affordable housing.

The Solution:

Local government and neighborhoods must:

- Encourage the development of smaller, more affordable homes and apartments at higher densities and mixed use projects, especially along transit corridors and within existing urban centers;
- Remove or revise regulations and development standards that are impediments to developing more affordable homes and apartments;
- Make the development review process more predictable so builders begin with more certainty over how many units will ultimately be approved;
- Increase building height limits and maximum densities to make multi-family and mixed-use projects more financially feasible;
- Rezone significantly more land for all types of housing – particularly at higher densities and in large enough blocks on the edge of existing communities – in order to reduce the cost of land and ensure that an adequate supply and wider variety of housing can be built;
- Conduct regional environmental studies and fast-track approvals for projects that meet General Plan standards and let them develop at General Plan density levels;
- Make sure that General Plans, zoning ordinances, and land use policies encourage and support the creation of workforce and affordable housing;
- Set minimum and maximum densities on residentially zoned land so builders, neighborhoods and government officials will begin the development review process with a clearer understanding of how many homes can be built on a site, thus increasing housing production;
- Make every citizen and community share the responsibility for providing a supply of housing that will be adequate to meet the needs of existing and future residents;
- Develop the broadest possible funding sources – including redevelopment agency revenues, general obligation bonds, and state bonds -- to pay for workforce housing instead of making home builders and new home buyers bear a disproportionate burden;
- Require each community to support housing development to accommodate job growth created by economic expansion;
- Make surplus government property available on a priority basis and with proper zoning for affordable housing;
- Change the public notification and appeal procedure so the public has more opportunity to participate at the start of the development review process and can only appeal if they participated in the review procedure; and
- Consistently demonstrate the political will needed to approve residential projects that benefit the overall community good even if there is neighborhood opposition.

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Areas of General Agreement re: Inclusionary Housing

The HTF and HBA agree with the following policies related to inclusionary housing:

I.1 Application of Inclusionary Housing Requirements

- Secondary dwellings, farm support quarters, and onsite or offsite employee housing are means to provide affordable housing and should be exempt from inclusionary requirements.
- Non-residential housing linkage fees should be adopted along with any inclusionary housing requirements. Agricultural, commercial, industrial and government employers should share the financial burden of subsidizing the production of affordable housing.

I.2 Options and Flexibility

- Builders should be able to meet inclusionary requirements through land dedications, onsite and offsite building, and transferring affordable housing credits. The two groups agree that builders should also be able to pay in-lieu fees, but disagree on when they should have that option.
- Builders should be able to combine compliance options and be able to choose them without needing either governmental approval or to prove that providing inclusionary units are financially infeasible.
- Inclusionary housing policies should not require building “like-for-like” units throughout a project.
- Builders should be encouraged to develop diversity in affordable unit size and number of bedrooms.
- The developer and agency shall agree to a plan for assuring that the affordable units are built in a reasonable time of the completion of the market rate units.
- Builders should be able to meet inclusionary requirements by providing various types of rental or ownership units.

I.2.1 Land Dedication

- Builders should be able to meet inclusionary requirements by dedicating land to a local government or non-profit corporation.
- Land dedicated to satisfy an inclusionary housing requirement should be located in the same jurisdiction or region as the project that receives credit for the dedication.
- Dedicated land should be buildable, properly zoned, and able to accommodate the number of units credited.

I.2.2 Off-Site Development

- Builders should be able to satisfy their inclusionary requirements by building affordable units at one or more offsite locations.
- Multiple developers should be able to satisfy their inclusionary requirements by building a single affordable housing project.
- Affordable units built offsite to meet inclusionary housing requirements should be located in the same jurisdiction or region as the market-rate project associated with the off-site units.

I.2.3 Credits for “Extra” Units

- Builders that build more than the required number of inclusionary units should be able to use the extra units as credits to meet future inclusionary requirements in the jurisdiction or region or to transfer them as credits to other builders in the same jurisdiction or region.
- Any “extra” units should be built before they can be treated as credits.
- In a pooled project, the affordable homes should be entitled before or concurrently with the market-rate development acquiring the credits.

1.2.4 In-Lieu Fees

- While we agree that in-lieu fees should be available as an alternative to building affordable housing or providing building sites for affordable housing, we disagree on when in-lieu fees should be allowed and on how the fee should be calculated.
- In-lieu fees should be reviewed annually.
- In-lieu fees for builders of “for sale” homes should be paid at the close of escrow for their home sales and in-lieu fees for developers who sell lots should be paid at the close of escrow for the lot sales.

1.3 Local Incentives and Concessions

Local governments should provide various incentives and concessions to help builders meet their inclusionary requirements, including:

- Contributing tangible and substantial resources so that the cost of providing affordable housing is spread more evenly and fairly across the community.
- Providing a density bonus is essential. Builders who provide inclusionary units onsite, offsite or through a land dedication should receive a density bonus that is at least the greater of 1 1/2 density bonus units for each inclusionary unit or 1 1/2 half times the density bonus required under state law.
- Both the inclusionary and density bonus units should be exempt from local growth controls, including building permit caps and growth allocation processes.
- Fractional units should be rounded up if at or above .5 units and down if below .5 units.
- Builders who provide inclusionary units onsite, offsite or through a land dedication should be given at least two incentives or concessions of their choice as described under state density bonus law and not be forced to provide more parking spaces than required under state density bonus law.
- The development impact fees and processing fees for inclusionary units should be paid from local government funds (e.g., redevelopment funds or the general fund) other than inclusionary in-lieu fees.
- Rental units should be encouraged by more aggressive government support for higher density affordable housing projects.

1.4 Program Administration

- Government should dedicate the staff and budget to administer its inclusionary housing program or contract with a competent entity to do so and should not fund program administration from fees or other exactions imposed on builders.
- The program administration responsibility includes providing up-front assistance to home builders, lenders and prospective buyers and renters as well as long-term monitoring of the inclusionary homes.
- If a developer makes a good faith effort to sell an inclusionary unit but it remains unsold after 90 days, the local government should either: a) purchase the unit at the restricted price and take over marketing; or b) give the developer permission to sell the unit at market-rate and pay the difference to the local agency. For option A, the local government or assignee should close on the unit within 120 days from completion. For option B, the program should be structured so that there will be an incentive to obtain true market value for the unit.