

Policy Statement

Inclusionary Housing Position Paper

The Home Builders Association of the Central Coast discourages local governments from trying to create affordable housing primarily through an Inclusionary Housing Program.

The HBA discourages inclusionary housing programs whenever they:

- Do not address the need to increase the overall supply to meet the high demand on the Central Coast.
- Do not help such key members of the workforce as nurses, teachers, firefighters, and police officers who cannot afford housing in the communities they serve and earn too much to qualify for inclusionary units.
- Raise the construction costs of market-rate housing that must subsidize affordable units. The subsidy becomes taxation without representation on new homeowners and punishes middle class families.
- Create a punitive, overly regulatory, and financially infeasible process that builders try to avoid. So affordable housing doesn't get built. And
- Are difficult and costly for government to administer.

Local governments can do more to provide affordable housing if they:

- Have the political will to approve quality residential projects for the good of the community.
- Approve well-designed, suitably located higher-density developments.
- Help non-profit and for-profit builders work together to create affordable housing.
- Develop broad community-based funding sources for affordable housing instead of relying solely on home builders and unfairly taxing new homebuyers.
- Zone more land for all types of housing, specifically for affordable housing so builders, decision-makers, and the community know in advance where higher-density housing will be welcomed.
- Set minimum and maximum densities so builders, neighborhoods and government have more certainty that quality projects will be approved as proposed, except under extraordinary circumstances.
- Streamline the development review process and make it more predictable.
- Standardize and coordinate general plans, area plans, land use plans, and zoning ordinances so they work together to help, instead of hinder, the creation of affordable housing.

Instead of traditional inclusionary laws, affordable housing programs should:

- Let builders comply by either donating land, paying an in-lieu fee, building inclusionary units onsite or offsite, and using these options in combination.
- Allow anyone building more than the required number of inclusionary units to use the “extra” units to meet future inclusionary requirements or transfer them to other builders.
- Make in-lieu fees an economically viable option for builders and government, allowing fees to:
 - Be paid at the close of escrow for the market-rate units that are subsidizing the affordable units;
 - Target ownership opportunities (including second mortgage assistance) for moderate and workforce income families and rental opportunities for low and very low-income families.
 - Bare a reasonable relationship between the cost of building a home and an affordable sales price.
 - Use a calculation formula that reflects:
 - A leveraging factor of \$5 to \$7 for each dollar collected and
 - The subsidy needed to reduce market-rate rents so they are affordable to very low and low-income households.
 - Fluctuate annually based on the construction-engineering index or an equivalent.
 - Be completely re-calculated during the regular five-year Housing Element updates.
 - Recognize price differences in various housing market areas.
 - Apply a linkage fee so agricultural, commercial, industrial, and government employers share in funding affordable housing. And
 - Apply to every project of two or more units.
- Guarantee home builders a fair density incentive that exceeds the voluntary state density bonus guidelines for each low and very low income affordable unit and at least one-to-one for every workforce and moderate income affordable unit built on- or offsite.
- Permit constructing rental units to meet the entire inclusionary requirement for building affordable housing.
- Allow affordable units to be smaller and have fewer amenities than market-rate units.
- Pay development impact fees for affordable units from such public sources as the general fund, an affordable housing fee applied to all real estate transactions, redevelopment revenue, or general obligation bonds since creating affordable housing is a public benefit everyone will share and should help support.
- Base the maximum household income that can be committed to housing on the finance industry standard debt-to-income ratio. The current 30 % is unrealistically low in the Central Coast. The current statewide ratio is 40 to 45 %, depending on credit worthiness and related factor.
- Create long-term ownership conditions, such as a shared-equity arrangement, that allow affordable home buyers to benefit financially and become full stakeholders in their communities.

Inclusionary housing programs should not punish local home builders or new home buyers. Home buyers and builders did not create today’s housing affordability problem. Therefore, they should not be viewed as the only group to pay toward addressing the problem. Everyone will benefit from solving the housing affordability problem and must work together to make significant progress towards achieving this important community goal.

Adopted by the HBA Board of Directors January 17, 2008

811 El Capitan Way, Suite 120
San Luis Obispo, California
93401-3333

805.546.0418: phone
805.546.0339: fax
www.hbacc.org: internet