

ERRATA SHEET, 12/8/09
Minor Revisions to the August 25, 2009 Adopted Housing Element, 2009-2014

1. Page 4-7, Program HE 1.B is revised to read:

Program HE 1.B: Continue and track existing development incentives.

Description: Continue to provide incentives to encourage development of affordable housing including density bonuses, exemptions from the Growth Management Ordinance, and expedited permit processing. Additionally, the Planning and Building Department will consider exempting in-fill projects located in eligible urban areas from the California Environmental Quality Act per Title 14, Section 15332.

Purposes: Incentives have financial values that improve the financial feasibility for the development of affordable housing. The County currently offers a density bonus of 35 percent for developments that include specified amounts of housing for extremely low, very low, low, or moderate-income senior households. The County exempts all housing units for extremely low, very low income, low income, and moderate-income households from its Growth Management Ordinance, resulting in significant time savings during periods of high demand for building permits. Also, the Planning and Building Department provides expedited permit processing for affordable housing developments, saving weeks or months in processing times. As previously directed by the Board of Supervisors, The the Planning and Building Department will monitor the impact of its permitting processes (including use permits) and look for opportunities to streamline permits for housing. Some of the strategies include, but are not limited to:

1) Reduce the permit requirement for multi-family housing projects from a Conditional Use Permit to a Minor Use Permit (the threshold should reflect the size of typical multi-family projects);

2) Conduct CEQA analysis in advance of potential projects (i.e. in conjunction with focused specific plans/community plan updates); and

3) Promote/facilitate the affordable housing CEQA exemption (when applicable).

Desired Result: Approximately 100 more housing units for extremely low, very low, low, and moderate-income households than without such incentives.

Agency: Planning and Building Department, Public Works Department

Funding: Budgets of affected departments

Schedule: Ongoing – Continue offering and track development incentives; 2010- identify potential permit streamlining measures; 2011 – Initiate amendments to streamline permits for housing.

2. Page 4-13, Program HE 1.H is revised to read:

Program HE 1.H: Provide direct financial assistance for housing.

Description: Continue to provide direct financial assistance for acquisition and development of affordable housing, most of which is rental housing. A new or revised rating criteria will address whether housing projects include extremely low income units, giving extra points to these projects upon review and recommendation for grant funding each year. Additionally, as well as rental assistance and First Time Homebuyer loans for very low income and low-income households will continue.

Purposes: Direct financial contributions make the provision of affordable housing feasible, and in exchange the County requires that long-term affordability be assured through special agreements. In addition, it allows the County to require priority for local residents and locally employed persons to rent or purchase the resulting housing units. The County has the ability to allocate federal grants each year for affordable housing because it is an “entitlement” grantee under the U.S. Department of Housing and Urban Development’s (HUD’s) Community Development Block Grant (CDBG) and Home Investment Partnerships (HOME) Programs.

Desired Result: Development of 70 extremely low, very low, and low income-housing units in the county and provision of 15 First Time Homebuyer loans.

Agency: Planning and Building Department

Funding: Annual HOME or CDBG Programs

Schedule: Ongoing

3. Page 4-22, Program HE 1.P is revised to read:

Program HE 1.P: Implement the Inclusionary Housing Ordinance requiring development of affordable housing.

Description: Implement the Inclusionary Housing Ordinance approved in December 2008 by the Board of Supervisors, requiring affordable housing in conjunction with new market-rate housing development and non-residential projects. Staff will prepare a report on an annual basis for the Board of Supervisors to discuss

the schedule for phasing-in the inclusionary requirement (currently at 4% of the ultimately 20% requirement), annual increases or decreases of fees (i.e. to reflect the cost of construction), and uses/activities undertaken with the fees collected. The report allows the Board to make annual adjustments to the inclusionary requirements based on market conditions. Developers can comply through flexible standards including building units on-site or off-site, by paying in lieu fees, or by donating land.

Purposes: Inclusionary housing will ensure that some affordable housing will be provided in the unincorporated areas of the county to meet a portion of the identified housing need.

Desired Result: Facilitate development of an additional 225 housing units for extremely low, very low, low, and moderate-income households over the next five years. The inclusionary ordinance will be phased in over five years, and is projected to produce more housing units in subsequent Housing Element cycles.

Agency: Planning and Building Department

Funding: Department Budget

Schedule: Ongoing

4. Pages 5-40 (from Table 5.18) through Page 5-46 (Inclusionary Housing) are revised to read:

Table 5.18: Typical Impact Fees, FY 2008-2009

Typical Impact Fees Per Unit		
08-09 Fiscal Year (ending June 30, 2009)		
Impact Fee	Single Family	Multi Family
Government	\$514	\$391
Administration	\$108	\$70
Sherriff	\$270	\$205
Park	\$2,221	\$1,690
Library	\$438	\$333
Fire	\$1,923	\$870
Roads*	\$5,000	\$3,050
School Fees**	\$3,945	\$2,630
Inclusionary Fees*** <u>(if applicable)</u>	\$14,250	\$9,500
<u>Water****</u>	<u>\$15,128</u>	<u>\$13,701</u>
<u>Sewer****</u>	<u>\$5,799</u>	<u>\$4,868</u>
Total Estimated Impact Fees Per Unit	<u>\$28,669-49,596</u>	<u>\$18,739-37,308</u>

* The \$5,000 road fee is an average. For example, road fees in Cambria range from \$282

-\$1,267 per single family unit while road fees in Templeton range from \$10,802-\$14,116 per unit. Multi-family development road fees are 61% of single family fees.

**\$2.63 is an approximate figure based on a 1,500 square foot single family unit and a 1,000 square foot multi-family residence. School district fees may vary.

***Includes inclusionary fees for a market rate project, assuming payment of in-lieu fees for a 1,500 S.F. house for single family units and 1,000 S.F. for multi-family.

****Based on average fees from the Nipomo Community Services District (CSD), the Templeton CSD, San Miguel CSD, and Avila Beach CSD. Exempt projects include: units smaller than 900 square feet in size, one single family dwelling, secondary dwellings, employee and farm support quarters, and rental housing secured for 10 years or longer.

Table 5.19: Typical Processing Fees, FY 2008-2009

Planning and Application Fees	
Variance (Categorical Exemption) (Exemption from environmental review)	\$2,651
Variance (Initial Study) (With environmental review)	\$7,615
Conditional Use Permit (Categorical Exemption) (Exemption from environmental review)	\$5,042
Conditional Use Permit (Initial Study) (With environmental review)	\$8,311
Minor Use Permit, Major (Categorical Exemption) (Exemption from environmental review)	\$3,147
Minor Use Permit (Initial Study) (With environmental review)	\$5,385
General Plan Amendment	\$10,600 deposit + cost to process
Site Plan (Categorical Exemption) (Exemption from environmental review)	\$1,529
Site Plan (Initial Study) (With environmental review)	\$3,051
Specific Plan (Initial Study) (With environmental review)	\$10,900 deposit + cost to process
Pre-Application Meeting	\$500
Environmental Fees	
Categorical Exemption from environmental review	\$868
Initial Study/Negative Declaration (environmental review)	\$3,139
Use of Another Agency EIR	\$3,923
Environmental Impact Report/ Mitigation Monitoring	25% of Consultant Costs
Subdivision Fees	
Certificate of Compliance (Conditional with Initial Study environmental review)	\$3,945 for 1st + cost to record
Certificate of Compliance (Unconditional)	\$628 for 1st + cost to record
Lot Line Adjustment App. (Categorical Exemption) (Exemption from environmental review)	\$2,687
Lot Line Adjustment App. (Initial Study) (With environmental review)	\$5,150
Tract Map (Initial Study) (With environmental review)	\$9,022
Parcel Map (Initial Study) (With environmental review)	\$6,471
Coastal Zone Major Project (Tract Maps, Parcel Maps, Development Plan, Variance, and MUP)	\$908
Coastal Zone Minor Project (Plot Plan, Site Plan, Lot Line Adjustment, Certificate of Compliance)	\$455

For a typical 20 unit market rate multi-family rental project (exempt from inclusionary fees), the required land use permit fees include a Minor Use Permit with an Initial Study, Public Works review, and Cal Fire review. Building permits include inspection fees, impact fees, and other costs associated with processing the permit. The total fees associated with the planning and building permits (FY 08/09 costs) would total an estimated \$157,041 (\$132,267 of which are impact fees), excluding school, water, and sewer fees which are paid to school districts other agencies. Therefore, the cost per unit for permit fees is \$7,852 (excluding school, water, and sewer fees). Assuming the total development cost for multi-family housing is \$250,000 per unit, impact fees charged by the County are 2.6 percent of the total cost in this example. School fees are 1.1 percent of the total development cost, water and sewer fees together are 7.4 percent of the total cost, and permit processing fees are 0.5 percent of the total development cost. Therefore, impact and processing fees together are not a large significant portion of total development costs (11.6 percent) and are not unreasonable. All building permit fees must be are paid at permit issuance. An initial deposit is required upon building permit application, and the balance is due upon permit issuance. However, Program HE 1.C will explore ways to reduce and defer fees for affordable housing projects.

Permit processing

State planning laws require that certain steps must be included in the local permit process. Among these are:

1. Proposed developments must be found consistent with the adopted General Plan and its elements (i.e., Housing Element, Agriculture and Open Space Element, and the Land Use Element).
2. Building codes must be adopted and enforced.
3. The County must assess the environmental effect of a project in compliance with the California Environmental Quality Act (CEQA), and then determine whether an environmental impact report, a negative declaration with mitigation measures, or a negative declaration is required.
4. The County must meet CEQA specified time requirements for public review and posting of environmental documentation.
5. Projects in the coastal zone must be found consistent with the local coastal plan and in some instances are reviewed by the Coastal Commission.

The Permit Streamlining Act (PSA), Government Code, sections 65920 et seq., requires that local jurisdictions reach a final decision on any discretionary permit request within 180 days from the date of certification for projects requiring a CEQA Environmental Impact Report or 60 days from the date of a negative declaration determination or adoption or for projects that are exempt from CEQA. The PSA also requires local government to meet various interim deadlines, from initial application review to approval or disapproval of a project.

State law requires that a jurisdiction's legislative body make project decisions. In San Luis Obispo County this body is the Board of Supervisors. The Board can adopt ordinances to delegate authority to other review bodies such as the Planning Commission and Subdivision Review Board. Approval of minor land use permits was delegated to the Planning Director (e.g., minor use permits). A public hearing for a Minor Use Permit shall only occur when a hearing is requested by the applicant or other interested persons. If no hearing is requested, the Minor Use Permit is approved at the next scheduled administrative hearing meeting.

The permit requirements for residential uses depend on the type of project and the land use category. In the Multi Family land use category, projects with ~~4 or fewer dwellings requires a Zoning Clearance, projects 5-15 units in size requires a Site Plan Review, 15 or fewer units can be approved with only ministerial review. For projects with~~ 16-24 units ~~in size, requires~~ a Minor Use Permit (MUP) ~~is required, and p~~ Projects with 25 or more units require a Conditional Use Permit (CUP) ~~which requires a and are reviewed by the~~ Planning Commission ~~hearing~~. The purpose~~s~~ of discretionary review (either MUP or CUP) ~~is to enable design review in accordance to community design plans and guidelines~~ are the following:

- To enable design review in accordance to community design plans and guidelines,
- To allow the County to modify development standards for housing development when necessary and appropriate, and
- To mitigate potential environmental impacts of development. Unique and varied environmental conditions exist within the unincorporated communities of San Luis Obispo County, and mitigation measures can reduce or avoid potential impacts.

Table 5.20 describes permit requirements for residential projects.

Table 5.20: Housing Types Permitted by Land Use Category (non-coastal)

Residential Land Use	AG	RL	RR	RS	RSF	RMF	OP	CR	REC	PF
Single Family Dwellings	P	A1	A1	A1	A1	A1	A2	A2	A2	
Multi-Family Dwellings						A1				
Residential Care – 6 or fewer boarders	P(6)	P(6)	P(6)	P(6)	P(6)	P(6)				P(6)
Residential Care – 7 or more boarders	CUP	CUP	CUP	CUP	CUP	CUP	CUP			A1
Mobile Homes	P	P	P	P	P	P				P
Mobile Home Parks			CUP(7)	CUP (7)	CUP(7)	CUP (7)			CUP (7)	
Farm Support Quarters	A2	A2								
Secondary Dwellings			P	P	P					
LAND USE CATEGORIES: AG- Agriculture, RL – Rural Land, RR – Residential Rural, RS – Residential Suburban, RSF – Residential Single Family, RMF – Residential Multi Family, OP – Office Professional, CR – Commercial Retail, REC – Recreation, PF – Public Facility										

A1: Allowable use, subject to the land use permit required by 22.06.030, Table 2-3.
 A2: Allowable use, subject to the land use permit required by the specific use standards.
 P: Permitted use, Zoning Clearance required.
 P(6): Permitted use, no land use permit required.
 CUP: Conditional Use Permit required.
 CUP(7): Conditional Use Permit required, also requires authorization by California Department of Housing and Community Development.

While larger multi-family projects could be constrained by the requirement of a CUP, recent affordable housing project approvals show that the CUP requirement is not overly burdensome. In order to provide certainty and predictability, the County revised its ordinances in 2008 to prevent reductions in allowable density for housing projects unless the decision making body can make the following finding: the proposed development would have a specific adverse impact on the physical environment or on public health and safety that cannot be satisfactorily mitigated or avoided without rendering the development unaffordable (the same finding that density bonus law requires). In the 08/09 fiscal year, the Planning and Building Department base fee for a CUP was \$8,311 and the fee for a MUP was \$5,385 (a \$2,926 difference). Four recent affordable housing projects located in Templeton and Nipomo were approved by the Planning Commission within 2 to 3 months from the date the application was deemed complete. These projects include a 29 unit project in Templeton (Tract 2458), a 40 unit project in Nipomo (Cider Village), a 52 unit project in Nipomo (Roosevelt Family Apartments), and a 43 unit project in Templeton (Serenity Hills). A typical MUP project incorporating between 16-24 units would take approximately the same amount of time to process that a CUP project would take. However, the entire permitting process for a MUP would take between 1.5 to 2.5 months (as opposed to 2 to 3 months for a CUP) because scheduling a Planning Department hearing can occur more quickly. All affordable housing projects are priority processed.

The discretionary process allows Planning Commissioners to review site layout and design and project features in accordance with design standards. Typical conditions of approval for a CUP project are identical to those for a MUP project. For example, a 40 unit project approved in Nipomo in 2006 had 23 conditions of approval consisting mostly of code requirements such as fire safety (as required by California Fire Code), air quality (as required by the Air Pollution Control District), landscaping, fencing, and road improvements (as required by Public Works). However, the discretionary review process also provided the Planning Commission the opportunity to allow three concessions or incentives related to site design and layout. The condition that could have the potential to create a constraint is the requirement to construct road improvements, as required by Public Works. Since there are insufficient alternative funding sources available for the construction of local roads, it is often necessary for developers to provide road improvements. However, developers that provide public road improvements receive credit against the road impact fee (if applicable).

The County will also hold a pre-application meeting at the request of the applicant and frequently provides concessions for affordable housing projects. For example, People's Self Help Housing received a building height waiver for the Lachen Tara project and reduced parking requirements have been granted for some affordable housing projects.

The above discussion of cost and time necessary to process and approve County discretionary permits shows that the CUP process is reasonable. However, Program HE 1.B will track the time and cost associated with processing use permits for housing projects to monitor the impact of these processes, and look for ways to streamline permits for housing.

Permit processing times vary depending on whether the project is ministerial (staff approval without a public hearing) or discretionary (public hearing required). The typical processing time for housing development in 2008 was three months for ministerial projects and six to nine months for Conditional Use Permits. All ministerial and discretionary residential projects are reviewed by several county departments prior to staff approval or a public hearing. The Planning Department reviews projects for compliance with the County General Plan and the State Subdivision Map Act and the California Environmental Quality Act (CEQA). The Public Works Department reviews the project for its effect on roads, drainage, and county water and sewer districts. The Environmental Health Department reviews for compliance with water supply and sewage disposal requirements and the Fire Department insures that fire safety standards are met. Projects may also be reviewed by regional or state agencies as required (e.g., State Dept. of Fish & Game, Regional Water Quality Control Board). Projects located near an incorporated city are referred to that city for comments. County staff will hold a pre-application conference upon request by an applicant. *The following table describes typical permit processing timelines for projects.*

Table 5.21: Timelines for Permit Procedures

Type of Approval or Permit	Typical Processing Time
Ministerial Review	3 months
Conditional Use Permit	6-9 months
General Plan Amendment/Zone Change	1-2 years
Site Plan Review	1 month
Tract Maps	6-9 months
Parcel Maps	6-9 months

Sources: San Luis Obispo County Planning and Building Department, 2008

The Coastal Commission certified the County's Local Coastal Plan in 1984, giving the County permitting authority for new development within the coastal zone. The coastal zone boundary encompasses portions of four of the Land Use Element Planning Areas, including North Coast, Estero, San Luis Bay, and South County. A portion of the coastal zone areas are appealable to the Coastal Commission. The vacant parcels identified in the sites inventory for lower and moderate income households (Chapter 3) that are located in the coastal zone include the Avila Beach and Los Osos parcels in Table 3.5 and the Cambria and Los Osos parcels in Table 3.7. However, only the Avila Beach parcel (076-201-071) is located in the Coastal Appealable Zone, which is appealable to the Coastal Commission.

Inclusionary Housing Ordinance

The Board of Supervisors adopted an Inclusionary Housing Ordinance on December 9, 2008. The California Chapter of the American Planning Association awarded the County Department of Planning and Building a "Planning Achievement Award" in 2009 for their advocacy in crafting and gaining broad support for the ordinance. ~~The inclusionary ordinance is flexible, provide several options for developers to meet the affordable housing requirement. Compliance options for developers include: building units on-site, building units off-site, paying in-lieu fees, or donating land to meet the inclusionary requirement. One bonus unit is granted for each inclusionary housing unit provided for residential projects.~~

~~County staff met with building industry representatives over a 2-year period prior to adoption of the ordinance to 1) ensure that the County decision makers understood how the ordinance might financially impact development, and 2) to discuss how these potential costs could be addressed. The incentives and flexibility of the ordinance address these concerns, and are a result of requests from local builders and from conclusions of the Inclusionary Zoning Ordinance Financial Analysis (2007). Incentives include:~~

- ~~• Affordable inclusionary units can be rental or homeownership.~~
- ~~• Affordable units can be smaller than market rate housing.~~

- In lieu fees can be paid in phases as market rate housing units sell.
- One bonus unit is granted for each inclusionary housing unit provided for residential projects.
- If bonus units are built on-site, the developer can ask for at least one modification to development standards (i.e. reduced parking, building height, or yard setback).
- If units are built on-site, the affordability requirement is reduced by 25%, and
- The developer (not the County) chooses from four compliance options, including: build units on-site, build units off-site, pay in-lieu fees, or donate land to meet the inclusionary requirement.

Exempt projects include: units smaller than 900 square feet in size, one single family dwelling, secondary dwellings, employee and farm support quarters, and rental housing secured for 10 years or longer.

A five year phase in period is underway (currently at 4% of the ultimately 20% requirement). In lieu fees will cost approximately \$20,900 per market rate unit (for a 2,200 square foot house) after the ordinance is fully implemented, and the in lieu fees are placed into an affordable housing fund for future affordable housing projects. (see the The San Luis Obispo County Inclusionary Zoning Ordinance Financial Analysis (by Vernazza Wolfe Associates, Inc., December 21, 2007 for fee calculation)- identified that the full gap between the cost of constructing a market rate unit and the affordable price of an inclusionary unit is \$168,423. However, because the County assumed it will have continued access to federal funds (i.e. HOME grant funds) and to recognize the current weak housing market conditions, the County instead adopted a lower fee of \$100,000 per inclusionary unit (which translates to a \$20,000 per market rate unit in-lieu fee for a 20% inclusionary requirement).

The financial feasibility analysis concluded that the inclusionary housing requirement would have a negative impact on new housing projects. The study noted that the compliance options, the density bonus and potential for modified development standards would significantly reduce those impacts, but not eliminate them entirely. During the adoption hearings, local home builders expressed support for the recommended ordinance because they recognized that it included the provisions they requested to minimize its negative impacts on their projects. They did not support inclusionary housing ordinances in general, but they believed that the proposed ordinance was far superior to the alternative, more restrictive type of ordinance recommended by some of the county's community advisory councils.

In-lieu fees are a sliding scale based on the size of residential units provided. For example, a development consisting of 2,200 square foot units would cost \$20,900 per unit in lieu fees (in five years upon full implementation). A development consisting of 1,500 square foot units would cost a developer \$14,250 per unit in in-lieu fees. Exempt projects include: units smaller than

~~900 square feet in size, a single family dwelling, secondary dwellings, employee and farm support quarters, and rental housing secured for 10 years or longer.~~

Ultimately, 20% of all new residential units will be designated as affordable, inclusionary housing units. For example, a 5 unit project would require 1 inclusionary unit and a 25 unit project would require 5 inclusionary units. The sequence of inclusionary units provided is as follows: first unit is workforce income, second unit is moderate income, third unit is low income, and a fourth unit is for very low income. ~~If units are built on-site, the affordability requirement is reduced by 25%.~~

~~Staff will prepare a report on an annual basis for the Board of Supervisors to discuss the schedule for phasing-in the inclusionary requirement, annual increases or decreases of fees (i.e. to reflect the cost of construction), and uses/activities undertaken with the fees collected. The report allows the Board to make annual adjustments to the inclusionary requirements based on market conditions.~~