

PUBLIC REVIEW DRAFT

ORDINANCE NO. ____

AN ORDINANCE AMENDING TITLE 22 OF THE SAN LUIS OBISPO COUNTY CODE,
THE INLAND LAND USE ORDINANCE, TO UPDATE HOUSING AFFORDABILITY STANDARDS
TO SUPPORT THE CONTINUED AVAILABILITY OF AFFORDABLE HOUSING
(COUNTY FILE NUMBER: LRP2024-00017)

The Board of Supervisors of the County of San Luis Obispo ordains as follows:

SECTION 1. The purpose and intent of this Ordinance is to amend Section 22.12.030 (Housing Affordability Standards) in Title 22 of the San Luis Obispo County Code to update standards relating to the continued availability of affordable housing. Any interpretation of this Ordinance shall be consistent with this purpose and intent.

SECTION 2. County Code Section 22.12.030 is hereby amended as follows:

22.12.030 – Housing Affordability Standards.

....

F. Continued availability of affordable housing. Affordable housing units which are subject to the standards of this section shall continue to be reserved as affordable housing as follows:

1. **Affordable Housing Agreements.** The County and the property owner for property subject to this section shall enter into affordable housing agreements, in a form approved by County Counsel, as follows:

a. **Agreement Types.**

(i) **Master Affordable Housing Agreement.** For subdivisions subject to this section, the County shall enter into a Master Affordable Housing Agreement to be recorded concurrently with final map recordation. The Master Agreement shall clearly identify which lots are subject to affordable housing requirements, including specifying required household income limits for each lot number and a copy of the final map showing the physical location of the lot numbers to support subsequent recording of Parcel-Specific Affordable Housing Agreements. The subdivision entitlement shall include a condition of approval with this requirement.

(ii) **Parcel-Specific Affordable Housing Agreement.** For all development projects subject to this section, the County shall enter into a Parcel-Specific Affordable Housing Agreement to be recorded prior to the issuance of the first construction or grading permit for each parcel. The Agreement shall clearly identify which units are subject to affordable

housing requirements, if not all units are subject to affordable housing requirements, including specifying required household income limits for each unit and a copy of the plan showing the physical location of the unit numbers. If the parcel is created from a subdivision, the Agreement shall not be recorded until the new parcel has been assigned an Assessor Parcel Number. If the project requires a discretionary land use permit, the land use permit shall include a condition of approval with this requirement.

b. Agreement Provisions. Both Master and Parcel-Specific Affordable Housing Agreements shall include the following provisions:

- (i) **Affordability Term.** The maximum resale/rental price of the affordable housing unit(s) shall be limited for a period of 55 years from the date of (1) first property sale to a qualified income buyer for for-sale units and (2) first rental to a qualified income tenant for rental units.
- (ii) **County Consent for Property Transfers.** All property transfers are subject to affordable housing agreements shall require County consent. The property owner shall notify the County in writing via certified mail, return receipt requested, at least 60 days prior to initiating a property transaction to request County consent and verify the correct maximum sale price for for-sale units and rental price(s) for rental units. The County may notify eligible buyers if the property is available for purchase. A property transfer shall mean any sale, assignment or transfer, voluntary or involuntary, of any interest in the property, including, but not limited to, a fee simple interest, a joint tenancy interest, a life estate, a leasehold interest, or an interest evidenced by a land sale contract by which possession of the property is transferred and buyer retains title. Any transfer without County consent is prohibited and void. Transfers by gift, devise, or inheritance to an existing spouse who is also an obligor under the promissory note, by the buyer to a spouse where the spouse becomes the co-owner of the property, by the buyer to a spouse who is also an obligor under the note as part of a dissolution proceedings, by the buyer into an inter vivos trust in which the buyer is the beneficiary, or a transfer to a member of the buyer's immediate family shall not be considered a property transfer for the purposes of this section.
- (iii) **Lienholder Subordination.** Lienholders shall agree to subordinate their loan terms to the terms of the County Affordable Housing Agreement. A new subordination agreement shall be recorded for each property transaction involving a lienholder.
- (iv) **Owner-Occupancy.** The buyer of for-sale units shall occupy the property as their principal place of residence and shall continue to be a legal resident of the County of San Luis Obispo. Owner-occupied is defined as living in the unit for at least eleven (11) months out of each calendar year.

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- (v) **Good Repair.** The property owner shall maintain the property in good repair.
 - (vi) **Homeowner's Insurance.** Property owners of for-sale units shall maintain homeowner's insurance.
 - (vii) **Annual Verification.** Property owners shall submit annual verification of compliance with rental limits, tenant household income, owner-occupancy, County residency, homeowner's insurance requirements, as applicable.
 - (viii) **Emergencies.** Agreement requirements may be waived at the Department Director's discretion in times of emergency, such as waiving occupancy requirements if flooding or other natural disaster makes the property uninhabitable.
2. **County Loan for For-Sale Units.** The buyer of a for-sale unit subject to this section shall execute a loan from the County in the amount equal to the difference between the market-rate sales price and restricted affordable sales price.
- a. **Second Mortgage.** The purchase money lender(s) shall have a higher priority than the County's loan. The County's security shall be prioritized as a second mortgage.
 - b. **Appraisal.** Prior to the initial sale of the residence to the buyer, the buyer shall pay for an appraisal of the property that will establish the monetary difference between the initial purchase price of the property and the initial appraised fair market value of the property (as if unrestricted by any affordable housing agreement). The appraisal shall be made by an independent residential appraiser selected by the buyer, from a list of appraisers provided by the County. Each appraiser on the County's list shall have been previously approved by the Federal National Mortgage Association (Fannie Mae or FNMA) or the Federal Housing Administration (FHA) and placed on their respective lists of approved single-family housing appraisers. If possible, the appraisal shall be based upon the sales prices of comparable properties sold in the market area during the preceding three-month period.
 - c. **Deed of Trust and Promissory Note.** The monetary difference between the initial purchase price and the initial appraised fair market value established by the appraiser shall be covered in full by a between the buyer, as trustor, and the County, as beneficiary. The loan shall be secured by a deed of trust and a promissory note. The County deed of trust shall be recorded at the time of the sale of the property, and prior to or concurrent with the close of escrow of the sale.
 - d. **Interest.** The County loan shall accrue interest at a rate equal to 4.5 points added to the Enterprise 11th District COFI Institutional Replacement Index as currently published by the Federal Home Loan Bank Board, amortized over

the life of the loan. The monthly payments of the County loan principal and interest shall be waived by the County for as long as the buyer continues to own and reside on the property, continues to use the property as their principal residence, continues to be a legal resident of the County of San Luis Obispo, and otherwise continues to adhere to the terms of the Affordable Housing Agreement with the County. The loan shall continue to diminish in value as if continuous monthly payments were to be made on the principal and interest of the loan throughout the loan term and life of the loan. At the end of the loan term, the County shall consider the loan to be paid in full.

e. **Transfer to Successive Buyers.** If the Buyer transfers or sells the Property to a new Eligible Buyer at a lower income purchase price (both of which are approved by the Planning Director), then the County shall permit the Loan to be transferred to the new Eligible Buyer, and the Buyer will be relieved of any responsibility for the Loan. The new Eligible Buyer who purchases the Property at a lower income purchase price shall be required to execute an assumption agreement with the County, in a form approved by County Counsel, whereby the new eligible Buyer shall assume full responsibility for the Loan, with no change to the terms and conditions of the Loan or of this Agreement. The County shall continue to waive payment of the principal and interest on the Loan, and the Loan shall continue to diminish in value as if continuous monthly payments were to be made on the principal and interest of the Loan throughout the loan term, starting from the date of close of escrow of the sale of the Property to initial Buyer. At the end of said loan term from the date of close of escrow and compliance with all of the terms and provisions of this Agreement, the County shall consider the Loan to be paid in full.

f. **Adjustments to maximum resale price.** Adjustments to the maximum resale price as determined by the Department shall be made to ensure that the resale price is not lower than the original sales price, to increase the maximum resale price by the value of structural improvements made by the owner, and to comply with requirements of State or Federal mortgage lenders as necessary.

g. **Refinance and Home Equity Loans.** The terms of the County loan shall allow the buyer to refinance and/or apply for a home equity loan for the purpose of [A] financing structural home improvements (such as roof repair or replacement or the construction of an accessory dwelling) or [B] securing a mortgage loan for the subject property with lower interest rate.

3. Annual Compliance Verification.

a. **Rental Units.** The property owner of rental housing units subject to this section shall submit to the County annually upon the County's request verification that (1) current rental amounts are compliant with the maximum rental limits specified in this section and (2) current tenants meet household income requirements specified in this section.

- b. **For-Sale Units.** The property owner of for-sale housing units subject to this section shall submit to the County annually, upon the County' request, verification of (1) owner-occupancy (as defined above), (2) County residency, and (3) homeowner's insurance.
4. **Buyer Acknowledgement.** Buyers of property subject to an Affordable Housing Agreement shall acknowledge in writing that they are purchasing property subject to the standards of this section, including limits on maximum sales/rental price, annual tenant income or owner-occupancy verification, and County consent for property transactions.
- ~~1. **For sale units.** Prior to the issuance of any project construction permits the property owner and the County shall enter into and record a Master Affordable Housing Agreement, prepared by County Counsel, assuring that the project will provide designated affordable housing unit(s). When a designated affordable housing unit is first sold to an eligible buyer, or when the owner-builder of a designated affordable housing unit requests final permit approval for occupancy of his residence, the buyer and County or the owner-builder and County shall enter into an Option to Purchase at Restricted Price Agreement which shall be recorded as an encumbrance on the property, and secured by a recorded deed of trust. The said Option to Purchase at Restricted Price Agreement shall supersede the Master Affordable Housing Agreement. Under the terms of the Option to purchase at Restricted Price Agreement, the maximum resale price of the housing unit shall be limited for a period of 45 years to the same formula used to determine the initial sales price, except that current information regarding median income, mortgage financing interest rate, taxes, insurance and homeowners association dues shall be applied. Adjustments to the maximum resale price as determined by the Planning and Building Department shall be made to ensure that the resale price is not lower than the original sales price, to increase the maximum resale price by the value of structural improvements made by the owner, and to comply with requirements of State or Federal mortgage lenders as necessary. Ownership of the property may only be transferred to a party that agrees to execute a new Option to Purchase at Restricted Price Agreement with a term of 45 years.~~
- ~~2. **Near market value units:** For any affordable housing unit that is subject to Section 22.12.010 or Section 22.12.040 of this Title and will be sold as an ownership unit, if there is a sales price difference of 10 percent or less between the current appraised market value of the unit and the affordable sales price established by this Section then that affordable housing unit shall be reserved as affordable housing for a period of thirty (30) years in the following manner. When the affordable housing unit is first sold to an eligible buyer, or when the owner-builder of a designated affordable housing unit requests final permit approval for occupancy of his residence, the buyer and the County or the owner-builder and the County shall enter into an Option to Purchase at Restricted Price Agreement which shall be recorded as an encumbrance on the property and secured by a recorded deed of trust. The said Agreement and deed of trust shall establish the monetary difference between the initial affordable purchase price~~

~~and the initial appraised market value as a loan payable to the County. Said loan shall accrue interest at a rate equal to 4.5 points added to the 11th District Cost of Funds as currently published by the Federal Home Loan Bank, amortized over 30 years. The monthly payments of principal and interest shall be waived by the County as long as the owner who was previously approved by the County as an eligible buyer or as an owner-builder continues to own and reside in the affordable unit as his or her principal residence, and also continues to be a legal resident of the County of San Luis Obispo. Upon resale to a non-eligible buyer the County loan amount shall be determined by the Planning and Building Department and shall be adjusted to ensure that the resale price is not lower than the original affordable price, and to allow recovery of any downpayment and value of structural improvements. The provisions of this Section shall not impair the rights of a first mortgage lender secured by a recorded deed of trust. The purchase money lender(s) shall have a higher priority than the County's loan. The County's security shall be prioritized as a second mortgage. This first priority applies to the purchase money lender's assignee or successor in interest, to:~~

- ~~a. Foreclose on the subject property in compliance with the remedies permitted by law and written in a recorded contract or deed of trust; or~~
- ~~b. Accept a deed of trust or assignment to the extent of the value of the unpaid first mortgage to the current market value in lieu of foreclosure in the event of default by a trustor; or~~
- ~~c. Sell the property to any person at a price consistent with the provisions of this Section subsequent to exercising its rights under the deed of trust.~~

~~In addition, the following types of transfers shall remain subject to the requirements of the County's loan and right of first refusal: transfer by gift, devise, or inheritance to the owner's spouse; transfer to a surviving joint tenant; transfer to a spouse as part of divorce or dissolution proceedings; or acquisition in conjunction with a marriage; or transfer as a result of foreclosure.~~

- ~~3. **Rental units.** Prior to the issuance of any project construction permits the property owner and the County shall enter into and record a Rent Limitation Agreement, prepared by County Counsel, assuring that the project will provide designated affordable housing unit(s). Rent levels shall be based on the same criteria as those used to compute the original rent ceiling in Subsection E for a period of at least 55 years. The rent levels will be enforced through the Review Authority imposing applicable conditions at the time of land use permit or subdivision approval for the project. If ownership of the property is transferred during the initial 55 years period, then a new Rent Limitation Agreement shall be executed with a term of 55 years~~

- ~~**G. Exceptions to initial sales price limitations and resale restrictions.** The Director of the Planning and Building Department may grant an exemption to the initial sales price limitation and resale restrictions for housing units that meet all of the following criteria:~~

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- ~~1. The housing units are provided in a development consisting exclusively of housing for very low income, lower income or moderate income households; and~~
- ~~2. The housing units are constructed with at least 50 percent of the work performed by volunteers and/or households purchasing the housing; and~~
- ~~3.1 The Director of the Planning and Building Department has determined that the home purchase financing provided will be affordable to the purchasing households for at least 30 years.~~

SECTION 3. That the Board of Supervisors has considered the General Rule Exemption with respect to the matter described above. The Board of Supervisors has, as a result of its consideration and the evidence presented at the hearings on said matter, determined that the proposed General Rule Exemption is appropriate and has been prepared and is hereby approved in accordance with the California Environmental Quality Act and the County's regulations implementing said Act. The Board of Supervisors, in adopting this ordinance, has taken into account and reviewed and considered the information contained in the General Rule Exemption approved for this project and all comments that were received during the public hearing process. On the basis of the General Rule Exemption, there is no substantial evidence that the adoption of this ordinance will have a significant effect on the environment.

SECTION 4. If any section, subsection, clause, phrase, or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of a court of competent jurisdiction, such decision shall not affect the validity or constitutionality of the remaining portion of this ordinance. The Board of Supervisors hereby declares that it would have passed this ordinance and each section, subsection, clause, phrase, or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.

SECTION 5. This ordinance shall become effective thirty (30) days after its enactment by the Board of Supervisors.

SECTION 6. Within 15 days after adoption of this ordinance, a summary shall be published once in a newspaper of general circulation in the County of San Luis Obispo, State of California, together with the names of the members of the Board of Supervisors voting for and against the ordinance.

SECTION 7. In accordance with Government Code Section 25131, after reading the title of this ordinance, further reading of the ordinance in full is waived.

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INTRODUCED at a regular meeting of the Board of Supervisors held on the 23rd day of September, 2025 and PASSED and ADOPTED by the Board of Supervisors of the County of San Luis Obispo, State of California, on the 21st day of October, 2025, by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAINING:

ATTEST:

Chairperson of the Board of Supervisors
County of San Luis Obispo
State of California

MATTHEW PONTES
Ex-Officio Clerk of the Board of Supervisors

By: _____
Deputy Clerk

[SEAL]

Approved as to Legal Form and Effect:
JON ANSOLABEHERE
County Counsel

By: _____
Deputy County Counsel

Dated: ~~August 21, 2025~~ August 22, 2025