

PUBLIC REVIEW DRAFT

ORDINANCE NO. ____

AN ORDINANCE ESTABLISHING TITLE 31 OF THE SAN LUIS OBISPO COUNTY CODE, REGIONAL HOUSING FUND, TO SUPPORT PRODUCTION AND ONGOING SUCCESS OF GUARANTEED AFFORDABLE HOUSING

(COUNTY FILE NUMBER: LRP2024-00017)

WHEREAS, in 2020, the County of San Luis Obispo (County), seven incorporated cities, and the San Luis Obispo Council of Governments (SLOCOG) agreed on the San Luis Obispo Countywide Regional Compact (Regional Compact), a commitment to collaboratively align resources and policies for a regional approach for adequate housing supply and resilient infrastructure that supports the economic prosperity of the region;

WHEREAS, from 2022 to 2023, in accordance with the Regional Compact, the County, seven incorporated cities, and SLOCOG collectively developed a Housing and Infrastructure Regional Framework to identify and map housing efficient areas with adequate transportation access, water capacity, and wastewater capacity, and 80 priority infrastructure projects with an estimated \$1 billion funding gap to improve infrastructure in the housing efficient areas to accelerate housing production;

WHEREAS, it is necessary to improve public transportation options in addition to providing options for reductions in parking requirements for new residential development;

WHEREAS, in accordance with the Regional Compact, County Housing Element Policy HE 1.01 emphasizes a regional approach to housing:

Support and prioritize new residential development in areas identified for strategic regional residential development and other areas that are (a) located along priority transportation corridors (i.e. highways identified by San Luis Obispo Council of Governments as priorities for regional infrastructure investments), (b) located in or between areas with higher concentration of jobs and services, and (c) located within or in close proximity to existing urbanized areas or communities. This includes, but is not limited to, supporting and prioritizing the following in such areas:

- *Improvements to infrastructure and facilities;*
- *Reductions in infrastructure constraints for the development of housing to the extent possible; and*
- *Increases in the supply of land for residential uses.*

NOW, THEREFORE, 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 establish the Regional Housing Fund to support production and ongoing success of guaranteed affordable housing in areas that most align with Housing Element Policy HE 1.01. Any interpretation of this Ordinance shall be consistent with this purpose and intent.

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SECTION 2. County Code is hereby amended to include Title 31 as follows:

TITLE 31 – REGIONAL HOUSING FUND (with In-Lieu Fee)

Chapter 31.01 – Introduction.

Section 31.01.01 – Purpose.

This Title provides regulations to establish and administer the Regional Housing Fund to support production and ongoing success of guaranteed affordable housing in the very low-income, low-income, and moderate-income categories.

Section 31.01.02 – Definitions.

“Board” or “Board of Supervisors”. The Board of Supervisors of the County of San Luis Obispo.

“County”. The County of San Luis Obispo.

“Department of Planning and Building”. The San Luis Obispo County Department of Planning and Building, including the Director of Planning and Building and all subordinate employees.

“Department of Social Services”. The San Luis Obispo County Department of Social Services, including the Director of Social Services and all subordinate employees.

“Director” or “Director of Social Services”. The San Luis Obispo County Director of Social Services. As used in this Title, “Director” includes designated staff of the Department of Social Services when acting in an official capacity.

“Dwelling” or “Dwelling Unit”. Any building or portion thereof which contains living facilities (including provisions for sleeping, eating, cooking, and sanitation) for not more than one household.

“Guaranteed Affordable Dwelling Unit” or “Guaranteed Affordable Housing Unit”. A dwelling unit which can be purchased or rented by a household that qualifies in the very low-income, low-income, or moderate-income categories that is subject to an agreement ensuring long-term affordability, as described in Section 22.12.030 of Title 22 and Section 23.04.094 of Title 23 (Housing Affordability Standards).

“In-Lieu Fee”. A non-refundable fee paid to the County as an alternative to the construction and provision of on-site guaranteed affordable dwelling units, pursuant to Section 22.12.010 of Title 22 (Regional Housing Incentives).

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Chapter 31.02 – Establishment of Regional Housing Fund.

There is hereby established by the County Auditor-Controller in the County Treasury an interest-bearing fund entitled the “Regional Housing Fund”.

Section 31.02.01 – Funding Sources.

The Regional Housing Fund shall receive all In-Lieu Fees collected pursuant to Title 22, Section 22.12.010 (Regional Housing Incentives). Additional sources of funding may include, but are not be limited to: County appropriations from the General Fund or special funds, grant funds, and contributions from private entities and other agencies and local governments.

Section 31.02.02 – Use of Funds.

The Guaranteed Affordable Housing Account and the Public Transportation Support Account are hereby established within the Regional Housing Fund. Additional accounts may be created within the Regional Housing Fund to avoid co-mingling of fund purposes, if required by law or as deemed appropriate to further the purposes of the fund.

- A. **Guaranteed Affordable Housing Account.** 75% of the funds shall be allocated to this account. All funds in this account shall be used solely for the production of guaranteed affordable housing units, to be distributed through the Regional Housing Grant Program. This account shall be administered by the Director of Social Services, who shall have the authority to govern the fund, consistent with this Title, the appropriate ordinances, and applicable County policies.
- B. **Public Transportation Support Account.** 25% of the funds shall be allocated to this account. All funds in this account shall be used solely for improvements to regional public transportation service areas, access, infrastructure, and facilities within geographic areas of the unincorporated county that are most consistent with County Housing Element Policy HE 1.01. The County shall explore partnership with the San Luis Obispo Council of Governments (SLOCOG) to determine funding of improvements that best achieve the purpose of this account. Prioritization of improvements shall consider the following factors: projected public transportation needs, speed of improvement delivery, and long-term ridership.

Section 31.02.03 – Income.

Principal and interest from loan repayments, proceeds from grant repayments, forfeitures, reimbursements, and all other income from Regional Housing Fund activities, plus all income from the activities of the fund's separate accounts, shall be deposited into the Regional Housing Fund. All funds in the accounts shall earn interest at least at the same rate as pooled investments managed by the treasurer. All interest earnings from the accounts shall be reinvested and dedicated to the same account. Transfer of interest earnings shall be

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made quarterly or upon direction of the County Administrator. Transferred funds shall accrue interest from the time of transfer.

Chapter 31.03 – In-Lieu Fee for Regional Housing Incentives.

The In-Lieu Fee is hereby established to allow applicants to accrue Incentive Points by contributing to the Regional Housing Fund, pursuant to Section 22.12.010 of Title 22 (Regional Housing Incentives), based on the number of Incentive Points granted by the County.

Section 31.03.01 – In-Lieu Fee Amount Per Incentive Point

The initial In-Lieu Fee shall be \$30,000 per Incentive Point (within the initial In-Lieu Fee range of \$30,000 to \$50,000 per Incentive Point) through June 30, 2026, and shall be annually adjusted within the In-Lieu Fee range for the following fiscal years in accordance with Section 31.03.02 (Automatic Annual In-Lieu Fee Adjustment). The annually adjusted In-Lieu Fee shall take effect on July 1st of each fiscal year.

Section 31.03.02 – Automatic Annual In-Lieu Fee Adjustment.

The following automatic annual adjustments shall be applied to the In-Lieu Fee, cumulatively.

- A. **Annual Inflation Adjustment.** An annual adjustment to account for inflationary changes in construction costs shall be applied to the In-Lieu Fee and In-Lieu Fee range. The annual inflation adjustment for the In-Lieu Fee and In-Lieu Fee range shall be the percentage increase or decrease of the Construction Cost Index, as published by the Engineering News-Record, for the period ending April of the previous fiscal year; meaning the adjustment shall be by the percentage equal to the percentage increase or decrease of the Construction Cost Index between the Construction Cost Index published in April and the corresponding Construction Cost Index for the same period twelve months previous. The adjustment shall be applied to the In-Lieu Fee and In-Lieu Fee range beginning on July 1, 2026, and continuing each July 1st thereafter.
- B. **Annual Adjustment Based on Program Success.** The initial In-Lieu Fee was intentionally set at the bottom of the In-Lieu Fee range to encourage participation in the program. To balance program success and community benefit, an annual adjustment based on program success shall be applied to the In-Lieu Fee within the In-Lieu Fee range. This annual adjustment shall be based on the three-year rolling average of the number of Incentive Points approved annually (calendar years) by the County, pursuant to Table 1 of this subsection. This adjustment shall be applied to the In-Lieu Fee beginning on July 1, 2029, and continuing each July 1st thereafter.

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Table 1

Three-year rolling average for number of Incentive Points approved annually ¹	Annual adjustment to In-Lieu Fee
15 or more	5% increase
6 to 14	No adjustment
5 or less	5% decrease

Section 31.03.03 – Assessment, Collection, and Deposit of Fees.

The Department of Planning and Building shall assess and collect In-Lieu Fees pursuant to the provisions of Title 22, Section 22.12.010 (Regional Housing Incentives) and deposit the In-Lieu Fees into the appropriate accounts of the Regional Housing Fund in accordance with this Title, on a quarterly basis.

- A. **Assessment of In-Lieu Fee.** A project subject to ministerial or discretionary approval shall be subject to the In-Lieu Fee in effect [A] at the time that the first construction or grading permit is applied for or [B] at the time of final map recordation, whichever occurs first.
- B. **Payment of In-Lieu Fee.** The In-Lieu Fee shall be paid in full [A] prior to issuance of the first construction or grading permit or [B] prior to recordation of the final map, whichever occurs first.
- C. **Requested Changes to In-Lieu Fee Amount.** Changes to the In-Lieu Fee amount shall only occur when an applicant requests and receives approval of an amended land use entitlement that changes the required number of Incentive Points for the project. Otherwise, the In-Lieu Fee shall be paid based on the amount of applied Incentive Points specified in the original land use entitlement approval.

Chapter 31.04 – Regional Housing Grant.

The Regional Housing Grant is hereby established. Moneys deposited in the Guaranteed Affordable Housing Account of the Regional Housing Fund, along with any interest earnings on such moneys, shall be distributed pursuant to the regulations of this Chapter.

Section 31.04.01 – Administration.

The Regional Housing Grant (Grant) shall be administered by the Director of Social Services, who shall have the authority to govern the Grant consistent with this Title, the appropriate ordinances, and applicable County policies. The Department of Social Services shall coordinate with the Department of Planning and Building to jointly develop project selection criteria in accordance with this subsection.

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Section 31.04.02 – Eligibility.

A. Eligible Applicants.

1. **Legal Entity.** Applicants shall be domestic applicants other than individuals.
2. **Insurance.** Applicants shall be able to provide insurance coverage in the amounts consistent with County standard insurance provisions, if selected to receive funding. Additional insurance may be required depending on the scope of the project at the discretion of the Department of Social Services.

B. Eligible Activities.

1. **Guaranteed Affordable Housing.** Funds shall be used for new Guaranteed Affordable Dwelling Units for very low-, low-, or moderate-income households, within unincorporated urban areas of the county, in a manner that best implements County Housing Element Policy HE 1.01. Guaranteed Affordable Dwelling Units may be for ownership or rental.
2. **New Construction and Conversion.** Funds shall be used for [A] new construction (addition of dwelling units outside existing walls of a structure) or [B] conversion (alteration, improvement, modification, or otherwise conversion of an existing structure that results in new Guaranteed Affordable Dwelling Units). Project sites are subject to site visits during application review.

Section 31.04.03 – Awards.

- A. **Annual Basis.** Awards shall be issued on an annual basis.
- B. **Board of Supervisor Approval.** The Department of Social Services shall review eligible projects and make a funding recommendation to the Board of Supervisors for their consideration and approval.

Chapter 31.05 – Appeals

Appeals shall be filed and processed in accordance with the procedures in Title 22 or Title 23, whichever is applicable.

SECTION 3. 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 General Rule Exemption is appropriate and the ordinance is exempt 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 for this ordinance and all comments that were

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received during the public hearing process. 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 sixty (60) 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.

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 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]

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

By: _____
Deputy County Counsel

Dated: August 22, 2025

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