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December 8, 2017

Supervisor John Peschong, Chairperson
Supervisor Adam Hill, Vice Chairperson
Supervisor Debbie Arnold
Supervisor Lynn Compton
Supervisor Bruce Gibson

Subject: Input on Title 29 Fee Schedule and Nexus Study (Inclusionary Housing Ordinance)

Dear County Board of Supervisors:

The Chamber of Commerce respectfully submits the following comments regarding the County's Inclusionary Housing Ordinance (IHO); a program that supports the development of housing for low and very low income residents, commonly referred to as subsidized housing, in our community.

The vision of our organization as it concerns housing throughout the region is simple – we need more housing, of all types, for all income ranges to support our residents and local economy.

We are facing a housing affordability crisis in our community which is a pressing social, economic and environmental concern. Much of the debate around how to address this housing challenge is centered on *either* market rate housing *or* subsidized housing. We respectfully submit that an either/or approach to the magnitude of the housing challenge will fall woefully short. We urge an *and/both* approach in order to increase

access to multiple ranges of housing. With this context in mind, we offer our input on the IHO.

Over the last 18 months our organization has worked proactively and frequently with our organizational partners, the Economic Vitality Corporation and the Home Builders Association of the Central Coast, as well as county staff to create workable policy reforms that match the scale of the overarching housing crisis facing our community. We continue to urge the swift implementation of each of the broader housing policies outlined in the [Housing Policy Solutions](#) report submitted to the County in June of 2016.

By way of background, the IHO was first studied by our chamber in 2008. At that time, although our organization was supportive of the County's goal to create affordable housing, we did not support the ordinance as crafted because of the undue burden placed on new development. With the recent release of the five year Nexus Study on the IHO we brought this issue back to committee to study it again, nine years later, through the larger lens of our current systemic housing challenge.

After careful evaluation, our organization has taken the position that housing for the low and very low income in our community is a significant need and funding for this type of housing stock needs a sustained and broadened funding stream. The current funding mechanism provided through the IHO is insufficient to meet this need. Furthermore, relying upon market rate housing, which is faced with significant affordability pressures, to fund subsidized housing is counterproductive to the creation of middle income housing, which has been identified as a top priority by you Board.

We recommend that the Board consider broadening the funding base for affordable housing to relieve the burden placed on middle income housing by considering funding options such as: general fund contributions, transient occupancy taxes, sales taxes, as well as exploring the feasibility for a local bond to augment the recently approved state bonds. There is a full suite of funding tools that could make a significant impact on supplying housing for the low and very low income in the community that should be considered and evaluated.

As it concerns the current IHO, we support the continuance of this ordinance, until such a time that a new funding model is implemented, with a few recommendations in order to simplify the administration of this program:

- **Tiered Fees:** Maintain the current 900 square footage exemption. If some additional exemptions are desired, we recommend a lower threshold than that proposed (1600 sf) as there is concern that the increased threshold will result in a significant decline in revenues for lower income housing.
- **Commercial Zones/Exempt Village Commercial:** While we agree that neighborhoods serving commercial can have community and environmental benefits, exempting this limited specific use seems to create inequity and complexity that undermines the intent of the program.
- **Custom Homes:** We recommend no exemptions for residential unless they are qualified as affordable or work force; effectively treating all units the same whether they are individual building projects or subdivision projects.
- **Workforce Housing Projects:** Given the supply gap in workforce housing, this type of housing should be specifically excluded to incentivize further implementation of this housing type.
- **Set Tiers for Five Years:** To increase predictability on both sides we recommend that the Board implement a single tier and revisit every five years, instead of revisiting it annually.
- **Zoning Incentives:** Assess and add more zones where residential can be built; including both residential and mixed use housing.

Thank you for your consideration. Please don't hesitate to reach out if you have any questions or would like to discuss further.

Sincerely,

Melissa James
Director of Economic Initiatives and Regional Advocacy
San Luis Obispo Chamber of Commerce