



February 27, 2026

Dana Falk
Project Planner
PO Box 1990
Santa Barbara, CA 93102

RE: Draft Inclusionary Housing and In-Lieu Fee Study

Dear Ms. Falk,

The Santa Barbara Association of REALTORS® (SBAOR) represents more than 1,200 REALTORS® across the South Coast who live and work in the communities they serve. Our members help families and businesses navigate housing and real estate decisions, and we work closely with local governments and community partners to advance practical, community-focused housing solutions. We share the City's goal of ensuring Santa Barbara remains a place where people can live, work, and thrive.

On behalf of the Santa Barbara Association of REALTORS® (SBAOR), thank you for the opportunity to comment on the City's Draft Inclusionary Housing and In-Lieu Fee Study ("Study"). We appreciate staff's work and the City's stated commitment to expanding housing opportunity for Santa Barbara residents.

SBAOR supports policies that increase overall housing supply and expand attainable homeownership opportunities. We share the City's goal of creating more housing options across income levels. However, any inclusionary framework should be evaluated through two essential questions: Does it measurably increase total housing production? And does it expand, rather than suppress, pathways to homeownership? Based on the Study's findings, we are concerned that the current approach does not yet satisfy either standard.

The Study itself confirms that all residential development prototypes analyzed under the existing Inclusionary Housing Ordinance (IHO) are financially infeasible. It further identifies substantial feasibility gaps for both ownership and rental projects operating under current requirements. This is a significant finding that must guide the City's policy direction. If the existing program renders housing infeasible, expanding its applicability or increasing associated costs risk further reducing production. An inclusionary program that prevents projects from being built will not generate affordable units, in-lieu fees, or moderate-income housing. It will simply result in fewer homes.

In this context, the recommendation to increase in-lieu fees to \$50 per square foot for larger projects and \$35 per square foot for smaller projects raises additional concern, particularly when baseline projects are already determined to be infeasible. While inflation adjustments are cited as justification, rents and sales prices have not increased proportionately with construction, financing, insurance, and operating costs. Raising fees in a feasibility-constrained environment risks eliminating marginal projects entirely, especially small infill and ownership housing, which are already cost-sensitive.



The Study also acknowledges that State Density Bonus Law (SDBL) improves financial feasibility and is often more attractive to applicants. Without meaningful local offsets such as automatic density increases, predictable concessions, and guaranteed streamlined approvals, developers will continue to rely on SDBL rather than the City's IHO. If the City's local inclusionary framework does not compete with state incentives, it will not generate the moderate-income production it seeks and may further diminish local control.

Beyond structural feasibility concerns, we urge the City to revisit assumptions in the Residential Nexus Analysis regarding "induced demand". Housing markets operate dynamically. A substantial body of research demonstrates that new market-rate housing can reduce rent pressure across the broader housing stock through a process known as "filtering". When new units are built, higher-income households move into them, which reduces competition for older housing. Over time, those older units become relatively more attainable to moderate-income households as they age and depreciate. This process does not eliminate the need for subsidized housing, but it is a measurable mechanism that contributes to affordability. Policies that suppress overall production risk interrupting this natural filtering effect and may unintentionally increase competitive pressure on existing housing.

We also support incorporating additional financial feasibility metrics beyond Residual Land Value. As noted in the Coastal Housing Coalition (CHC) comments, evaluating projects through more realistic Debt Service Coverage Ratios, updated hard cost assumptions, appropriate capitalization rates, and realistic developer return thresholds would provide a more accurate picture of financing viability. Projects that cannot meet lending standards will not secure financing, regardless of modeled land value.

Given these findings, we encourage the City to recalibrate its approach through a supply- and homeownership-centered lens. Santa Barbara's long-term housing stability depends on increasing total housing production, protecting small and mid-sized infill projects, and expanding attainable homeownership opportunities. Mandatory cross-subsidy models with fixed resale price controls risk suppressing condominium and townhome development which is precisely the housing types needed to expand workforce ownership and allow residents to build equity.

If inclusionary requirements remain part of the City's framework, we respectfully recommend incorporating structural safeguards to protect supply. Inclusionary standards should not reduce total unit production relative to baseline zoning capacity. Ownership housing should be afforded additional flexibility, including reduced percentages, optional in-lieu compliance, and shorter affordability control periods. The City should explore shared appreciation or equity recapture models rather than permanent resale caps to preserve long-term affordability while allowing wealth building.

Any affordability mandate should be accompanied by automatic and measurable offsets, such as fee waivers or reductions, guaranteed fast-track approvals, meaningful density and height flexibility, and fee deferral to certificate of occupancy. Small projects under 10 units should be protected from disproportionate burden through flat in-lieu options and reduced fee structures to preserve "missing middle" housing. The City may also wish to consider structuring certain inclusionary obligations in a manner that does not impair initial construction financing, for example, implementing certain affordability contributions after project stabilization.

Finally, affordable housing should not rely solely on cost burdens placed on housing producers. The City should evaluate broader funding mechanisms, including Housing Trust Fund deployment, public land contributions, commercial linkage fees, general fund allocations, and state and federal financing tools. A diversified funding strategy would better align with the City's goals while preserving feasibility.

SBAOR remains committed to working constructively with the City. We support expanding housing opportunity across income levels and believe that increasing overall supply, particularly attainable homeownership, is essential to long-term affordability. An inclusionary framework that suppresses production will worsen affordability for all. A calibrated, incentive-aligned structure that restores feasibility and expands supply can help the City achieve its goals.

We appreciate your consideration and look forward to continued collaboration.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Berger". The signature is written in a cursive, flowing style.

Jennifer Berger, 2026 President