



LAFCO - San Luis Obispo - Local Agency Formation Commission  
SLO LAFCO - Serving the Area of San Luis Obispo County

**TO: MEMBERS, FORMATION COMMISSION**  
**FROM: DAVID CHURCH, EXECUTIVE OFFICER**  
**DATE: JANUARY 16, 2020**  
**SUBJECT: STUDY SESSION: AFFORDABLE HOUSING IN SAN LUIS OBISPO COUNTY**

**RECOMMENDATION.** It is respectfully recommended that the Commission receive, discuss and file this staff report. The Commission may direct staff to take any appropriate follow up actions.

**DISCUSSION.** LAFCO's are required by the Cortese-Knox-Hertzberg Act (CKH) to consider housing for all income levels as an important factor in promoting orderly development. As we head into the new decade, providing housing for all income levels while having enough resources to serve these new developments is the challenge for all jurisdictions. CKH states it this way under government code 56001:

*The Legislature also recognizes that providing housing for persons and families of all incomes is an important factor in promoting orderly development. Therefore, the Legislature further finds and declares that this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible.*

The Commission has considered a number of proposals that have addressed affordable housing in different ways. Typically, an annexation to a City complies with the jurisdictions affordable housing policies and requirements. The City implements its affordable housing requirements when approving a project. SLO LAFCO's General Policy 14 is as follows:

*14. In any proposal, the impacts on affordable housing must be considered. The Commission will consider the impact of the creation of new jobs on affordable housing stock, not only in the jurisdiction to which the annexation is proposed, but also in neighboring jurisdictions. The agency to which the annexation is proposed should demonstrate to the Commission that the effects of the proposed project on affordable housing have been mitigated (CKH 56001).*

*The Commission recognizes that providing a range of housing opportunities for persons and families of all incomes is an important factor in promoting orderly development.*

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This policy gives broad discretion to the Commission in considering affordable housing as a factor in LAFCO decisions. What this means is that individual commissioners can use their independent judgement in light of the record on a particular proposal with regard to affordable housing and other factors. The Commission has the authority to approve, modify with conditions, or deny a proposal based on a number of factors including affordable housing.

The Commission is prohibited from determining the land use of a proposed annexation. For example, the Commission cannot require a specified number of units to be affordable, or that certain density or type of project be constructed, for an annexation. LAFCO can vote to deny a proposal based on the housing issue or a combination of other factors if the Commissioners judge that the proposal does not adequately address the intent of CKH Act or local policies.

**Council of Governments.** The Council of Governments is responsible for working the Cities to set their Regional Housing Needs Assessment (RHNA) targets to be included in the update of the Housing Elements. The Cities and County are required to zone enough areas in their General Plans to cover the RHNA numbers. The State continues to monitor compliance with the RHNA targets which are embedded in the Housing Element of the General Plan. New regulations allow the State discretion to reduce or withdraw grant funding for housing projects when jurisdictions do not prepare housing elements that meet their RHNA targets (Note: jurisdictions are **not required** to actually build units that meet the targets, but must plan for them.) Today we have Pete Rodgers, Executive Director, James Worthley and Sara Sanders from the SLOCOG to help shed some light on that process and COG's role in meeting the housing challenges.

The Central Coast Multiagency Working Group is comprised of AMBAG, SLOCOG, SBCAG, and SBtCOG representing the counties of Monterey, Santa Cruz, San Benito, San Luis Obispo, and Santa Barbara. The working group is fifteen members with three elected officials from each county. It is estimated that the Group will have about \$8.5 million to distribute and AMBAG has offered to be the fiscal agent that will manage the allocation of these funds for housing related projects.

**County.** The unincorporated areas of the County are facing similar challenges in regard to housing affordability. There are a couple of possible developments envisioned in the County General Plan in or near unincorporated communities that could help address the housing crisis. Of course these developments come with impacts to resources and a need for services (often provided by Special Districts) such as water, wastewater, police and fire. The County has created a staff position within the County Administrative Office to help coordinate the effort. Ms. Carolyn Berg is here to help us understand the County's strategy for addressing the housing issues we face.

**Cities.** Cities are impacted by the housing affordability crisis and their ability to provide services. The Cities in the county face numerous challenges: meet their RHNA quotas, provide a full menu of services and planning for future growth and development. The City of Atascadero is taking a number of approaches to the housing affordability crisis. The City has approved a project that includes units that are smaller in size, and thus the market price is lower. Also, the city approved building more apartments which can increase the range of incomes that can rent properties. Phil Dunsmore, City of Atascadero's Community Development Director, is here today to discuss the City's efforts to deal with the housing crisis.

**Example.** One example of a jurisdiction addressing the affordable housing issue in a proactive manner is the San Luis Ranch Annexation to the City of San Lis Obispo.

- San Luis Obispo (many cities have these types of policies) has adopted an inclusionary housing program that requires all new development projects to include affordable housing units, dedicate real property for affordable housing, or pay an in-lieu fee to increase affordable housing opportunities Citywide.
- The San Luis Ranch Plan also requested a density bonus which requires additional affordable housing units. The City policy requires at least 5 percent of the new housing must be rented or sold at prices affordable to low income households with another 10 percent of the new housing being available for moderate income households.
- The project is required to provide a total of 68 Inclusionary Housing Units. The requirement for 34 of these is associated with the residential component, and the requirement for the other 34 is associated with the commercial component.
- The Development Agreement required 26 very low, 4 low, and 4 moderate income units (34 units total) to be constructed onsite within the project. The affordable multi-family compact homes will be located at the northwest portion within San Luis Ranch. The developer may provide the affordable units for the commercial portion of the development on-site, off-site, or through payment of in-lieu fees.
- Development Agreement requires 14 deed-restricted “workforce” housing units. This is exceeding the policies implemented above and uses “workforce” as a defined income range.

By exceeding the requirements for affordable housing, the developer and city showed what can be accomplished if both parties are willing to work together. When a particular annexation comes before LAFCO, the issue of affordable housing has been adequately addressed thru the City’s approval process.

**Summary.** All jurisdictions face the challenge of housing affordability and the pressure to grow, plan and provide adequate services into the future. LAFCO’s role in this process is, like other jurisdictions, a balancing act of weighing the ability of a jurisdiction to provide services to new development, how a project might impact housing affordability overall, and the extent to which the jurisdiction and the developer have addressed affordable housing. Some ideas to consider:

- Develop a more robust LAFCO policy base focusing on affordable housing.
- Encourage affordability by reducing/waiving LAFCO fees for an outstanding affordable housing project.
- Co-host a county-wide housing affordability forum with other jurisdictions.