

# **A Housing Analysis for the City of San Luis Obispo**

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## PROJECT INTRODUCTION

This document is an attempt to research and analyze housing conditions and related variables in an effort to provide the public and decision-makers adequate data as they update the City's housing element. State law § 65580-65589 mandates that local governments, including cities and counties, prepare a housing element as part of their general plans. This law which was originally enacted in 1969 was conceived in an effort to emphasize that the invisible hand of the market does not always supply adequate quantities of housing opportunities for people of all incomes (See inset below).

65580. The Legislature finds and declares as follows:

(a) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, including farmworkers, is a priority of the highest order.

(b) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.

(c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.

(d) Local and state governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.

(e) The Legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the state in addressing regional housing needs.

Additionally, the State Department of Housing and Community Development has identified the following benefits derived from updating a housing element:

The housing element process can be used to implement sound housing and community development planning. Creating sustainable and livable communities that enhance the quality of life is an important goal. The update

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process can serve as a vehicle for advocating “smart growth: housing strategies. Promoting more compact development, recycling, mixed use and infill, pedestrian-friendly, and transit-oriented developments allow communities to take advantage of existing infrastructure, revitalize older neighborhoods and downtowns, improve air quality, reduce traffic congestion, and curb urban sprawl. Incorporating these concepts into the housing element update helps ensure their effective implementation (HCD, 2001).

It is pursuant to California State law and as an effort to improve and maintain the quality of the City of San Luis Obispo that this study is produced.

## CURRENT TRENDS

### POPULATION AND EMPLOYMENT

#### POPULATION DEMOGRAPHICS

According to *Census 2000*, the population of the City of San Luis Obispo was 44,174. The overwhelming majority of the citizens of the City of San Luis Obispo describe themselves as White (81%). Minorities are represented by Hispanic or Latino (12%); Asian (5%); two or more races (2%); Black or African American (1%); and American Indian and Alaska Native, Native Hawaiian or other Pacific Islander, and “some other race” each represents less than one percent of the population. Table 1 illustrates the racial breakdown of the City of San Luis Obispo.

Table 1: Racial Characteristics of Citizens of San Luis Obispo, *Census 2000*

City of San Luis Obispo 2000 Census Population by Race		
Hispanic or Latino (of any race)	5,147	11.70%
White	34,756	78.70%
Black or African American	594	1.30%
American Indian and Alaska Native	189	0.40%
Asian	2,286	5.20%
Native Hawaiian and Other Pacific Islander	49	0.10%
Some other race	78	0.20%
Two or more races	1,075	2.40%
<b>Total Population</b>	<b>44,174</b>	<b>100.00%</b>

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Table 2 presents the population of San Luis Obispo by age. Those in the category of 18-24 years of age contained 33.6 percent of the population. This high figure is undoubtedly due to the fact that the California Polytechnic State University is located adjacent to the City of San Luis Obispo and has a student population of over 15,000.

Table 2: Population by Age Category, *Census 2000*

Population by Age Category					
Less than 18	18-24	25-44	45-64	65+	Median Age
14.2	33.6	23.7	16.5	12.1	26.2

### **HISTORIC POPULATION AND POPULATION PROJECTIONS**

The last 20 years has seen a population increase of 11,234 (See Figure 1), however, the majority of this growth (7,884) occurred during the decade of 1980-1990. The population increase in the last 10 years can best be described as nearly “flat” with a net increase of only 2,038 people.

Projecting the future population of the City of San Luis Obispo is difficult and prone to inaccuracies the further in time the prediction is carried. One method of predicting future growth is to use past trends and project them into the future. This can be done simply by finding the slope of the line in Figure 1 and replicating it into the future. The product of this procedure is illustrated in Figure 2 and indicates a 2020 population of 55,304.

It should be noted however, that the trend line includes the sharp population growth during the decade of 1980-1990. There is no indication by the pattern of growth since 1990 that another spike will occur. Due to this anomaly, a second trend line was created using only the data from 1990-1997 and its prediction is for a city population of 45,490. With these trends in mind it would be prudent to predict a 2020 population of between 45,490 and 55,300.

Figure 1: Historic Population of the City of San Luis Obispo

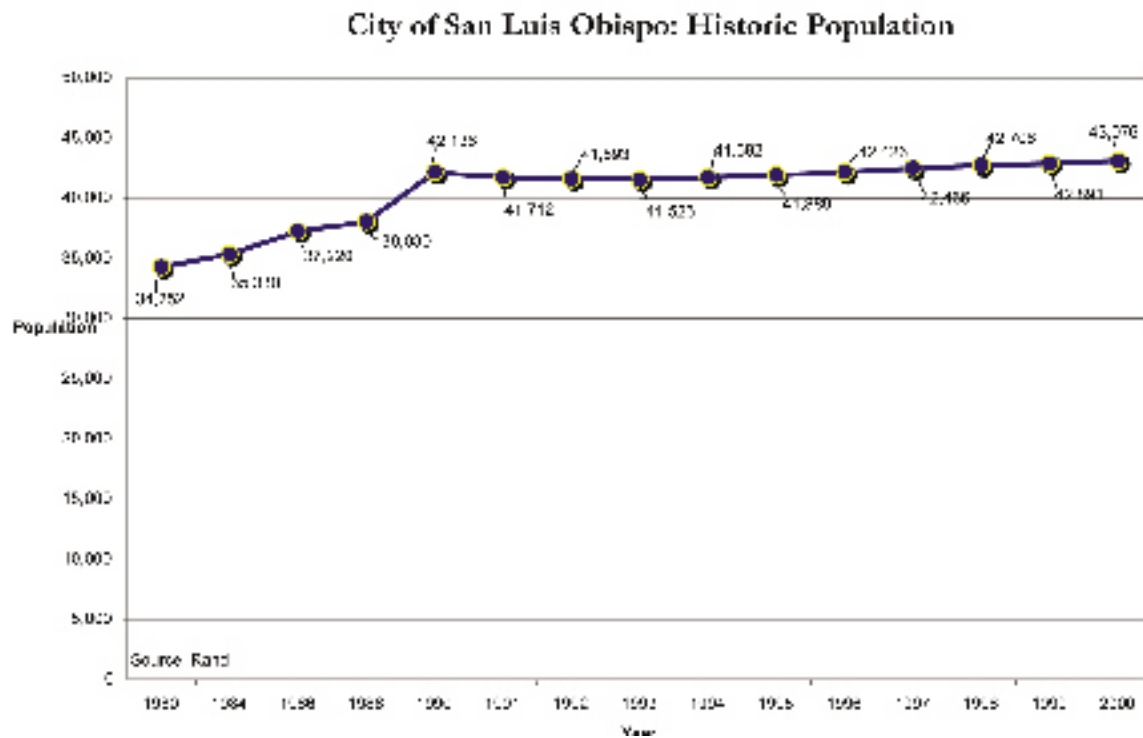
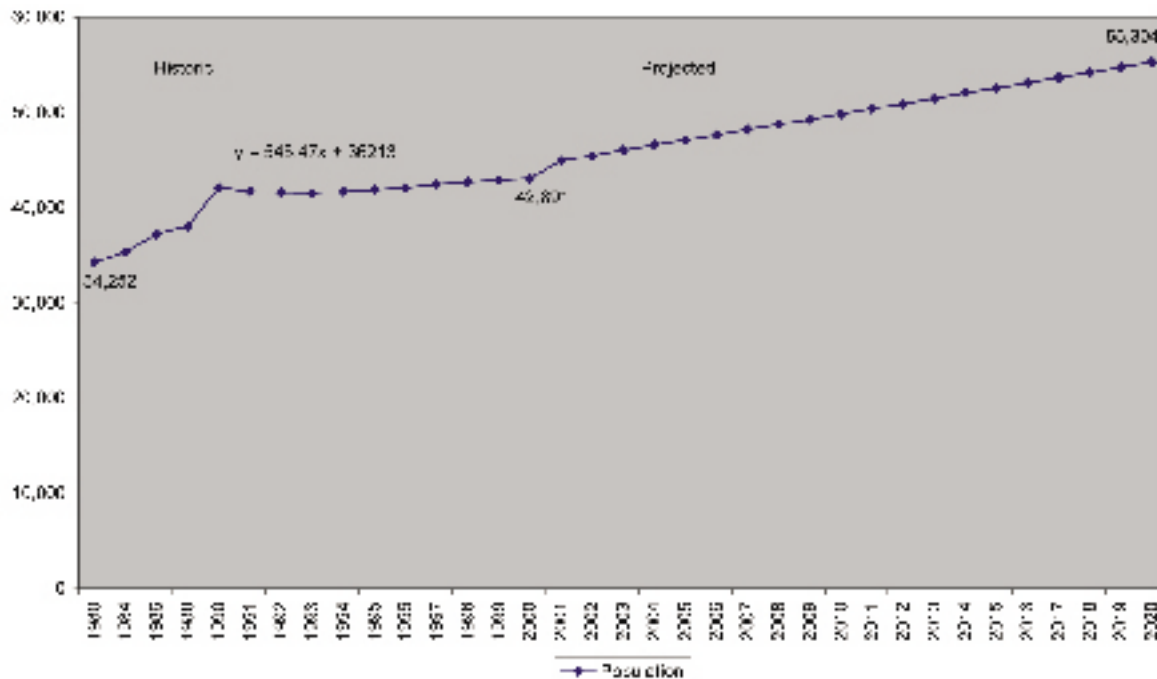


Figure 2: Historic and Projected Population

**Historic Population and Projected Population  
Based Upon a Simple Linear Trendline ( $y=mx+b$ )**



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### EMPLOYMENT

By far the most important employment categories to both the County and City of San Luis Obispo are “Services” and “Retail Trade” (see tables 3 and 4). The City of San Luis Obispo is known as a tourist center and has a very active downtown business district. The location of the City San Luis Obispo is very conducive to this general economic paradigm since it is located at the cross roads of Highway 101, a main transportation corridor of California, and Highway 1, which is arguably one of the most scenic ocean drives in the world. In addition to tourism, the City of San Luis Obispo is home to a large number of organizations served by management and professional employees. Examples include local governments, and the California Polytechnic State University.

In an effort to diversify its economic circumstances, the City of San Luis Obispo is actively reaching out to manufacturing operations. Many of these firms such as Ziatech Corporation (microcomputers, 200 employees), Strasbaugh (semiconductors, 185 employees), and the Newport Corporation (laser diodes, 56 employees) are in the high-tech sector. See Appendix 1 for tables presenting large employers within the City of San Luis Obispo. Figures 3 represents Department of Finance historic employment data and projections based upon trend lines.

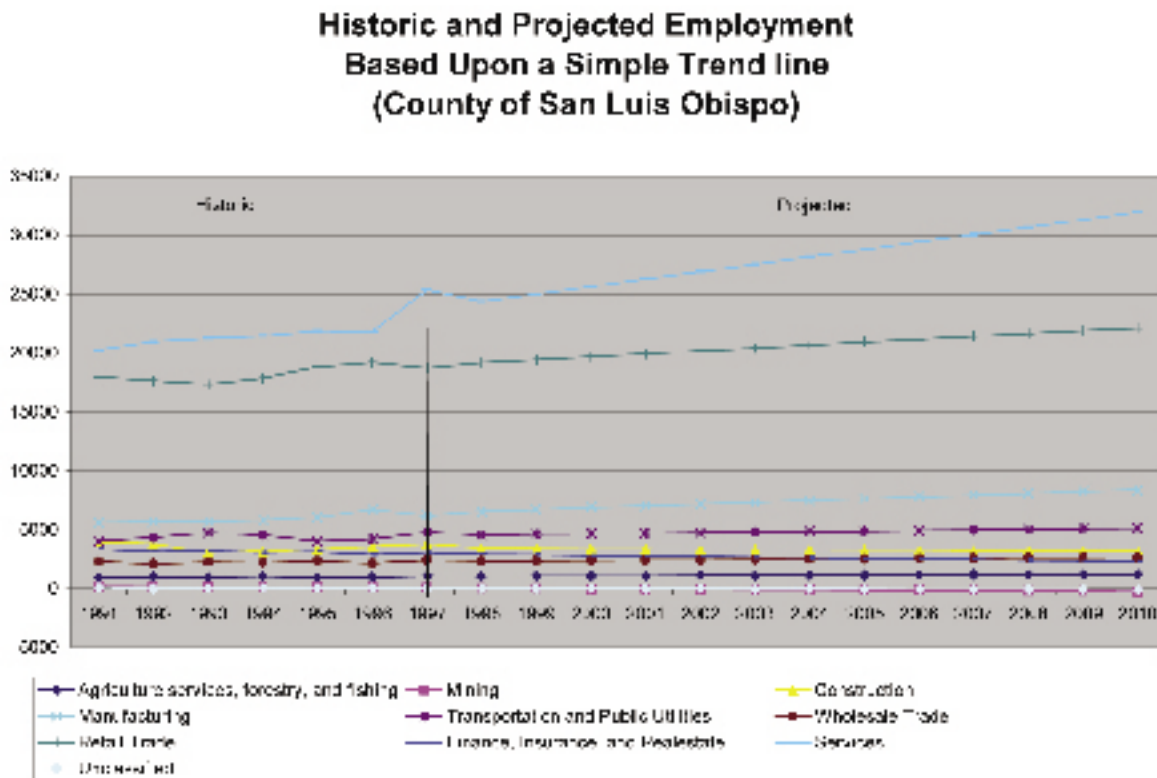
Table 3: Occupation of City Residents, *Census 2000*

Occupation		
Management, professional, and related occupations	8,595	39%
Service occupations	4,354	19.70%
Sales and office occupations	6,315	28.60%
Farming, fishing, and forestry occupations	191	0.90%
Construction, extraction, and maintenance occupations	1,203	5.50%
Production, transportation, and material moving occupations	1,399	6.30%
<b>Total</b>	<b>22,057</b>	<b>100%</b>

Table 4: Employment by Industry, *Census 2000*

Industry		
Agriculture, forestry, fishing and hunting, and mining	211	1%
Construction	1,036	5%
Manufacturing	1,275	6%
Wholesale trade	371	2%
Retail trade	2,877	13%
Transportation and warehousing, and utilities	764	4%
Information	897	4%
Finance, insurance, real estate, and rental and leasing	1,241	6%
Professional, scientific, management, administrative, and waste management services	2,438	11%
Educational, health and social services	5,467	25%
Arts, entertainment, recreation, accommodation and food services	3,495	16%
Other services (except public administration)	1,032	5%
Public administration	953	4%

Figure 3: Projection of Industries for the County of San Luis Obispo, (*DOF*)



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### HOUSING

#### HOUSING MARKET CONDITIONS

According to the *Census 2000*, the City of San Luis Obispo has 19,340 housing units. The majority of these units (47.10%) are single unit detached houses. In contrast, 16.20 percent of the city's housing is in buildings with 20 or more units (see table 5).

Table 5: Housing Units by Type, *Census 2000*

Units In Structure		
1-unit, detached	9,102	47.10%
1-unit, attached	1,250	6.50%
2 units	810	4.20%
3 or 4 units	1,385	7.20%
5 to 9 units	1,159	6.00%
10 to 19 units	1,000	5.20%
20 or more units	3,131	16.20%
Mobile home	1,487	7.70%
Boat, RV, van, etc.	16	0.10%
<b>Total Housing Units</b>	<b>19,340</b>	<b>100%</b>

Since 1940 there has been an average of 284 homes built per year. However, since 1990 the number of homes built per year has dropped to an average of only 175 per year. Home construction has never been lower since at least 1940 (see table 6).

Table 6: Housing Units by Type, *Census 2000*

Structures Built Per Year	
1940 to 1959	182
1960 to 1969	304
1970 to 1979	525
1980 to 1989	344
1990 to 1998	176
1999 to March 2000	173

It is a common belief that housing supply has not kept pace with demand. This statement can be partially validated by the sharp increase in home prices. Since 1999, the average sale price of all homes increased \$135,363. Today the median priced home is \$387,185! Rental rates have also increase with sale prices. It is not uncommon to find a 2 bedroom, 2 bathroom houses renting for over \$2000 per month. Due to this competitive housing market more housing units in the city are occupied by renter than home owners (see table 7).

Table 7: Housing Tenure, *Census 2000*

<b>Housing Tenure</b>		
Owner-occupied housing units	7,805	41.90%
Renter-occupied housing units	10,834	58.10%
<b>Total Housing Units</b>	<b>18,639</b>	<b>100.00%</b>

**HOUSING AFFORDABILITY GAP**

The current housing market in the City of San Luis Obispo must be compared to income levels. Unfortunately, income levels are not rising at the same rate as housing costs. This trend forces families to spend an ever increasing proportion of their net income on housing instead of other life needs such as food, healthcare, education, and entertainment. This situation also tends to create a cyclical situation in which because of increased housing prices business find it difficult to recruit talented individuals from national and state employment market. This cycle ultimately leads to a very real economic condition for the City of San Luis Obispo.

*Census 2000* found that the median family income in the City of San Luis Obispo was \$31,926. This statistic is important because it indicates that 50 percent of the families earn this amount or less. Additionally, the most frequent income category was 35,000-49,999 (see table 8).

Table 8: 1999 Income, *Census 2000*

<b>Income In 1999</b>		
<b>Households</b>	<b>18,656</b>	<b>100</b>
Less than \$10,000	2,975	15.90%
\$10,000 to \$14,999	1,869	10%
\$15,000 to \$24,999	2,670	14.30%
\$25,000 to \$34,999	2,343	12.60%
\$35,000 to \$49,999	2,667	14.30%
\$50,000 to \$74,999	2,628	14.10%
\$75,000 to \$99,999	1,539	8.20%
\$100,000 to \$149,999	1,239	6.60%
\$150,000 to \$199,999	383	2.10%
\$200,000 or more	343	1.80%
Median household income (dollars)	\$31,926	

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Although these numbers describe the middle of the spectrum of income it is vitally important to identify those at the lower economic range. Of 44,174 citizens, 11,407 or 26.6 percent live in poverty. Of these people, 567 are children and 233 are over 65 years of age.

Quantifying and classifying income levels can be accomplished by associating a family's yearly income as it relates to the median income of all city residents. A moderate income is one which ranges between 81-95 percent of the median income; low income is 51-80 percent of the median income; and very low income is 0-50 percent of the median income. A family's income category also changes with the number of people in the household. Table 9 can be used to quantify a family's income category.

Table 9: Housing Income Categories, *City of SLO*

Income Group	Number of Persons in the Household							
	1	2	3	4	5	6	7	8
Very Low	\$17,600	\$20,100	\$22,650	\$25,150	\$27,150	\$29,150	\$31,200	\$33,200
Low	\$28,150	\$32,200	\$36,200	\$40,250	\$43,450	\$46,700	\$49,900	\$53,100
Median	\$35,200	\$40,250	\$45,250	\$50,300	\$54,300	\$58,350	\$62,350	\$66,400
Moderate	\$42,250	\$48,300	\$54,300	\$60,350	\$65,200	\$70,000	\$74,850	\$79,650

Using the income group defined by table 9, one can find the appropriate amount of money a family or individual should pay per month for rent or the maximum amount of money to spend on a house with table 10. These figures are based upon the widely accepted Housing and Urban Development and prominent lending practices that a family or individual should spend no more than 30 percent of their income on housing and utilities.

Table 10: Maximum Affordable Housing Cost, *City of SLO*

Income Group	Tenure	Dwelling Size				
		Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Very Low	Maximum Monthly Rent	\$440	\$604	\$566	\$654	\$729
	Maximum Sale Price	\$44,000	\$50,250	\$56,675	\$65,375	\$72,875
Lower	Maximum Monthly Rent	\$528	\$604	\$679	\$785	\$875
	Maximum Sale Price	\$70,375	\$80,500	\$90,500	\$104,625	\$116,750
Moderate	Maximum Monthly Rent	\$1,129	\$1,291	\$1,452	\$1,678	\$1,872
	Maximum Sale Price	\$126,750	\$144,900	\$162,900	\$188,325	\$210,000

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Finding rental housing in the City of San Luis Obispo at the 30 percent level is impossible for 73 percent of lower income citizens and 84 percent of very low income citizens. Table 11 illustrates the pressing demand for affordable housing.

Table 11: Housing Cost Burden, City of SLO

<b>Housing Cost Burden In The City Of San Luis Obispo</b>			
	Total Renters	Percent above 30% Cost Burden	Percent above 50% Cost Burden
Very low income	4,259	84	79
Low income	2,048	73	27
Moderate Income	807	36	6

It is important to mention that there are individuals and entities dedicated to supplying or facilitating the creation or conversion of buildings into affordable housing. Most notably is the Housing Authority of the City of San Luis Obispo. Currently, the Housing Authority manages many high profile housing projects such as the 68 unit Section 8 structured Anderson Hotel. Table 11 is a partial list of Housing Authority projects.

Table 12: Housing Authority Properties, City of SLO

<b>Housing Authority Properties</b>		
Number of Units	Type of Units	Address
8	Family	South Street
8	Family	Branch Street
8	Family	King Street
20	Senior	Toro Street
20	Family	Hathway Street
6	Family	High Street
20	Family	Los Osos Valley Road
20	Family	Leff Street
10	Family	High Street
16	Family	Augusta Street
3	Senior	Harris Street
3	Senior	Upham Street
3	Family	Southwood
8	Family	Royal Way
15	Family	South Higuera Street
20	Family	Leff Street
20	Family	Islay Street
20	Family	Toro Street

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### **HOUSING SUPPLY AND THE NEAR FUTURE**

There is no doubt that the City of San Luis Obispo is currently undergoing a housing crisis. This crisis is resulting in a housing market that is becoming less affordable to more citizens everyday. The symptoms of this housing crisis can be seen in the actions and situations of the citizens – these include longer commute times due to the need to find affordable housing in surrounding communities such as Atascadero, Paso Robles, Arroyo Gande, and Santa Maria; having less money to spend on other important life needs such as healthcare; less quality family time due to additional shifts and increased commute times; and an inability for major employers to recruit talented labor due to the lack of regional affordability. For these reasons and many more like them, the need to remedy this crisis is critical.

## **CURRENT HOUSING CONSTRAINTS**

### **INTRODUCTION**

The City of San Luis Obispo has several innovative and successful programs in effect which promote affordable housing. For example, Program 1.22.13 calls for streamlined development review procedures to encourage affordable housing projects, and Program 1.22.17 which calls for coordinated public and private actions to encourage affordable low and moderate income housing. To help implement these and other affordable housing programs and to comply with changes in State Law, the City needs not only to update the Housing Element of the General Plan, by also the Affordable Housing Incentives by amending the Municipal Code.

The first step in the process of making housing more plausible in the City is to look at the various constraints that currently are seen as impeding its development. Both Governmental and Non-Governmental constraints can effectively be dealt with, whether by directly changing existing policies and practices to lessen restrictions to development, or by encouraging development through incentives.

### **GOVERNMENTAL CONSTRAINTS**

The City's General plan they has outlined several policy areas that constrain the development of housing. Constraints caused by the local government itself includes: land use policies, growth management controls, code enforcement, and development reviews. Each of these

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government constraints serve vital functions in the day-to-day operation and growth of the city. However, they do cause some negative consequences to desirable housing efforts.

### **LAND USE POLICIES**

Policies outlined in the Land Use Element prescribe the amount, type and location of housing. They also help establish the prevailing housing pattern and population density. As the Element is written, it encourages infill development to sprawling growth, and seeks to balance residential development with open space preservation and the availability of urban services.

Lot sizes and established neighborhood patterns influence the types of housing in a community. The City has found that large parcels in medium- and high-density residential zones offer the best opportunities to encourage affordable housing. San Luis Obispo allows relatively small lots of 6,000 square feet in all residential zones, and has the second highest residential density of the County's cities, with about 4,500 persons per square mile.

Zoning Regulations used to implement the City's land use policies allow a range of residential densities, from seven dwellings per acre in the R-1 Zone to 24 two-bedroom units per acre in the R-4 Zone, and up to a maximum of 36 two-bedroom units per acre in the C-C Zone. Parking and setback requirements, height and coverage limits allow maximum densities, except for parcels considered sensitive sites. The regulations apply equally to mobile homes, manufactured and site-built homes.

### **GROWTH MANAGEMENT**

Residential Growth Management regulations adopted in 1982 include a schedule of maximum residential construction rates through 1999. They exempt individually built houses and duplexes, replacement housing, group quarters, hotels and motels, and projects that include their own growth management provisions pursuant to an approved specific plan or planned development. The regulations are intended to provide a steady rate of population growth of about 1 percent per year, while promoting affordable housing close to employment centers and Cal Poly University. Thus far, the regulations have not significantly constrained or delayed housing production.

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### **CODE ENFORCEMENT**

Code enforcements mainly focus on Zoning or Building Code violations that adversely affect public health or safety. The code enforcement program includes education, mitigation, and prosecution.

San Luis Obispo's construction codes are, with few exceptions, uniform codes enacted by the State Legislature and used throughout the State. In some rare cases, the City has adopted more stringent construction codes than mandated by the State.

### **DEVELOPMENT REVIEW**

The Subdivision Regulations determine how land is subdivided, and set requirements for facilities such as public streets and utility lines that serve new subdivisions. The City's grading regulations set limits and procedures for earth-moving, generally to prevent mass recontouring and erosion and to assure stable building sites.

The development review process adds time and cost to building a project. The City's development review procedures are designed to protect public health and safety, to simplify and expedite the review process where possible, and to ensure that new development meets State and local development standards within time limits set by State Law.

In 1991, the City raised planning, building and engineering fees for new development. For most applications, the fees assume full recovery for actual City costs to deliver the planning and building services. Housing Element Program 1.22.15 calls for the City to amend its regulations to exempt certain residential projects which include affordability guarantees for very-low and low-income households from payment of development review, construction permit, sewer and water hook-up fees.

In order to live within its resource constraints, the City requires that adequate roads, drainage, water, sewer, fire protection, and other public services be available for any new residential development. Generally, the developer provides facilities within or next to the development site, while the City is responsible for the facilities which serve the larger area. Increased water and sewer service capacity is needed before more housing can be accommodated. The Land Use Element requires that before land is annexed to accommodate new development, the City should adopt a plan for how the necessary public services and utilities will be financed and provided.

Police and Fire staffing in San Luis Obispo are below the state averages, as measured by the number of officers to resident population. The increased need for staff, equipment, and facilities will be met partially through development impact fees and environmental impact mitigation fees imposed at the time of future development. San Luis Coastal Unified School District's current enrollment is 7,800. Due to budget constraints and overcrowding at the elementary school level, new dwellings will have serious adverse consequences for school staffing, facilities, and programs.

### **NON-GOVERNMENTAL CONSTRAINTS**

Many factors independent of government policies affect the supply of housing. These include but are not limited to economic conditions, building costs, and the availability of financing.

#### **ECONOMIC CONDITIONS**

Historically, San Luis Obispo has been buffered from changes in economic conditions due to a relatively large government employment (23%), service sector employment (21%) and a strong regional retail trade (26%). The City is optimistic given current conditions and projected local economic conditions.

#### **CONSTRUCTION COSTS**

Technological advances in home building have increased the efficiency and reduced the proportional costs of labor and materials, thus offsetting the increased land costs. According to a building Industry source, the average cost of a typical single-family detached house in San Luis Obispo is \$64.80 per square foot; for apartments the cost is slightly higher at \$65.45 per square foot.

Land cost is the second highest component of the cost of new housing. Because land costs are so high, it is difficult to build affordable housing if the project involves purchasing land at market rates.

#### **FINANCING**

According to local loan officers and private developers, residential construction projects are scrutinized more closely today than they were in the 1980s. Speculative real estate

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projects now face stiffer qualification requirements, with loans typically being made at only 70% of project costs, and with developers supplying a source of repayment outside the projected value of the project. Financing for housing projects, particularly those targeted for low and very-low income buyers, and for mixed commercial/residential projects is therefore also increasingly difficult. In contrast, lenders view loans for market-rate, owner occupied houses as relatively low risk, thus their mortgage and construction loans are readily available in all areas of the City for purchase, new construction, and rehabilitation at relatively low interest rates.

### **CONSUMER PREFERENCES**

Housing changes have changed dramatically in the last generation, with detached homes generally larger and including more amenities and built-in features than ever before. These expectations are often unrealistic given the high cost of living in California when compared to other states, and the relatively high cost of living in San Luis Obispo compared to other areas. Homebuyers moving to San Luis Obispo from urban areas often enjoy higher medium incomes and arrive with substantial equity from selling a home. Their buying power, together with the desire for small-City life, has maintained the demand for large, detached homes.

Investment expectations also add to the cost of housing. As an investment, housing provides a hedge against inflation, and allows homeowners to build substantial equity in a relatively short period of time. Ironically, the favorable tax treatment established to protect home ownership has helped push the cost of housing beyond its value for shelter alone, and created a competitive market for real estate as a financial investment.

## **GOVERNMENTAL RESOURCES**

### **INTRODUCTION**

After looking at the constraints facing housing developers in the City of San Luis Obispo, it is important to recognize the programs which have been developed to encourage housing. By evaluating these programs and their implantation and success rate, many remaining constraints will be revealed.

## **Programs and Policies**

### **AFFORDABLE HOUSING INCENTIVES (CH.17.90 OF SLOMC)**

Adopted in 1985, the incentives are part of the City's Municipal Code. This document describes the benefits available to affordable housing developers.

### **Fees and exactions**

To reduce the soft-costs of developing affordable housing in the City of San Luis Obispo, the City has developed several programs offering incentives and reduced fees.

### **INCLUSIONARY HOUSING PROGRAM**

In March 1999, the City of San Luis Obispo adopted the first inclusionary housing requirement in the County. Under this requirement, in new residential subdivisions 15% of the dwellings built must be sold at prices affordable to low and moderate-income households. Most new commercial projects must also include affordable housing, whether it is built on- or off-site, or with payments made to a citywide affordable housing fund. Within its first two years, this program produced about 75 affordable units and collected over one-half million dollars of in-lieu housing fees.

### **UTILITIES ASSISTANCE PROGRAM FOR LOW-INCOME RESIDENTS**

To reduce the costs of utilities for low-income residences, the City's Assistance Program offers Rate Assistance program which reduces standard water and sewer fees by 15%. The Payment Assistance Program allows those eligible to receive one billing period paid every two years. Finally, the City offers Water Efficiency Assistance to provide customers with information and water audit services to help reduce their water bills.

### **THE AFFORDABLE HOUSING FUND**

Also established in March 1999, the AHF implements the City's Inclusionary Housing Requirement. Ordinance 1438 establishes the City's right to collect and redistribute in-lieu fees and other funds to increase and improve the supply of affordable housing.

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### **CONSTRUCTION COSTS AND SITE IMPROVEMENTS**

Although hard-costs such as timber and drywall are left to the market to determine, the City has made efforts to reduce the cost of construction by making allowance for the provision of City-maintained services.

### **WAIVER OF DEVELOPMENT REVIEW AND METER INSTALLATION FEES FOR AFFORDABLE HOUSING PROJECTS**

In 1995 Council Resolution 8415 was adopted, exempting very-low and low income affordable housing developments from all planning, building, or engineering review fees and from water and sewer installation fees.

### **WAIVER OF CITYWIDE DEVELOPMENT IMPACT FEES FOR AFFORDABLE HOUSING UNITS**

Adopted in 2000, Council Resolution 9131 waives city-wide development impact fees (traffic, water, wastewater) on new dwellings that either exceed the minimum number of affordable units required by the City's Inclusionary Housing Requirements or are built, owned, and managed by the City of San Luis Obispo Housing Authority, government agencies or not-for-profit housing agencies. The waiver reduces cost for a typical single-family house by about \$11,000.

### **RELAXED PARKING STANDARDS FOR AFFORDABLE HOUSING**

Under City Zoning Regulations (17.16.060.K), housing occupied exclusively by very-low or low-income households requires only one car and one bicycle space per dwelling unit.

### **AVAILABILITY OF FINANCING**

By establishing a fund for the collection of in-lieu fees, and for the disbursement of those funds for affordable housing projects city-wide, the City has actively engaged itself in the effort to increase and improve affordable housing.

### **COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBD)**

Since 1994 the City has provided over \$3.17 Million in CDBD funds for the purchase and improvement of affordable housing.

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### THE AFFORDABLE HOUSING FUND (AHF)

Established in March 1999, the AHF implements the City's Inclusionary Housing Requirement. Ordinance 1438 establishes the City's right to collect and redistribute in-lieu fees and other funds to increase and improve the supply of affordable housing.

Table 13: Fiscal Impact of Land Use Changes, City of SLO

Likely to be Positive	Likely to be Adverse
Low/Medium to High Density Residential	High to Low/Medium Density Residential
Residential to Non-Residential	Non-Residential to Residential
Anything Else to Hotels	Hotels to Anything Else
Anything Else to Retail (depends on type)	Retail to Anything Else (depends on type)

### DEVELOPMENT STANDARDS

Development review in the City of San Luis Obispo highlights the fiscal impact of proposed projects, with the analysis focusing on whether the proposed project is consistent or inconsistent with the General Plan. Because the General Plan was accompanied by a fiscal impact analysis, which found it to be balanced, it is assumed that the fiscal impact of any project that is consistent with the General Plan will be neutral. If the proposed project is inconsistent with the General Plan, a quantitative analysis may be warranted to assess the relationship of the proposed change to the General Plan. For instance, this simplified qualitative guide can be used for broad generalizations of the likely fiscal impact of land use changes.

### CONSTRAINTS / AREAS TO BE IMPROVED

With respect to the City's continuing efforts to encourage the development of affordable, work-force housing, it is important to see constraints as possible areas of improvement. With this perspective of looking for policy areas that can possibly be altered to encourage housing, I feel that we can not only identify areas of concern, but also offer better alternatives.

## **WORKING TOWARDS A SOLUTION**

### **INTRODUCTION**

The task of updating the Housing Element for the City of San Luis Obispo entails much more than merely number crunching and projecting the future needs of the community. In other words, in addition to looking forward, we must look back, reviewing the results of previous programs, policies and objectives, and analyzing the differences between what was projected and what actually occurred. Only with this prospective can we address the weakness of our programs, and describe what elements need to be changed or revised.

The issues highlighted below are specific governmental standards that in some way constrain the development process. While some issues, like minimum lot size, are development standards that need to be brought to date, others are procedural issues for making the process more equitable.

### **HOUSING INCENTIVES**

#### **INCREASED DENSITIES**

Increasing the density of housing units, both in new developments and in infill construction, would do much to create more affordable and fiscally responsible housing. Additionally, the allowing of residential uses in the downtown commercial areas would help the City reach its goal of increasing the number of downtown residences.

- Increase residential density in the Downtown Commercial Areas, including the C-C, O, and C-R Zones. This would also Reduction of the minimum residential lot size from 6,000 to 5,000 square feet, or potentially less with architectural review.
- Clarification of rules pertaining to PD condominiums, particularly for lot coverage, to make the process more clear and encourage their development.

#### **REDUCE BUREAUCRACY**

The reduction of unnecessary bureaucracy related to the construction of housing units should be reviewed and implemented. This however should be done carefully and not seen as a chance to indiscriminately reduce the Budget of the City. Possible solutions include

- Elimination of the requirement for architectural review for house relocation.

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- Allow buildings with up to four dwellings to bypass the architectural review process.
- Revision of non-conforming structure rules for greater flexibility.
- Expanding the “by right” incentives for residential development.
- Adopting priority processing procedures for housing procedures.
- Exempting affordable housing from Dwelling Unit Construction Tax (Ch. 3.08 of SLOMC)

### **DEVELOPMENT STANDARDS**

#### **STREAMLINED REGULATIONS**

Development standards can be streamlined in an effort to emphasize the critical need of housing units for many members of the population and aid in their construction. Several suggestions include:

- Reviewing and revising Group Housing Standards to balance the need for student housing and other non-related groups with those of the community.
- Bringing the Subdivision Regulations up-to-date to minimize piecemeal development while encouraging infill.
- Revising or eliminating the planned development rezoning category.
- Developing new multi-family housing design guidelines to encourage appropriate design and compatibility.

#### **REGULATORY REVISIONS**

Many well intended regulations discourage the building of housing units due to a one size fits all design. To decrease these circumstances, regulations need to be revised in an effort to include more specific situations that may create favorable benefits. Possible regulations for consideration include:

- Reduce Downtown in-lieu parking fees for dwellings.
- Amend Downtown Housing Conversion rules for “no net housing loss.”
- Consider separate “suburban” and “urban” R-1 zones.
- Reestablish the R-O (Residential-Office) zone.
- Add affordable housing as a possible basis for variance or for subdivision exception.

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### **LAND USE CHANGES**

Many areas of the City are ripe for rezoning based current needs and uses. Many areas both in the City and those soon to be in the City can be made more efficient and supply more housing if identified and properly zoned or amended. Possible solutions include:

- Expanding areas designated for R-3 and R-4 zoning.
- Conditionally allowing housing in the C-S and M zones.
- Expediting development of small annexation areas.

### **EXPANDED HOUSING REQUIREMENTS**

Requiring the developers of residential projects to provide affordable housing rather than pay the in-lieu fee to meet inclusionary requirements would tend to increase the timely construction of these units.

### **FRAMING THE DEBATE**

Government regulations provide for both opportunities and constraints to the development of housing. But what is not written in any ordinance is the attitude and culture of the jurisdiction; is it a place that really is dedicated to housing those who come to work and be part of the community? The policies developed in the City of San Luis Obispo give all indications that they are a locality that would like to provide a proper mix of housing to meet the needs of the residents. Due to this is imperative that the Economic Development Department work towards framing and encouraging the public debate about housing and its importance to health city. Possible suggestions include:

- Continual assessment of housing needs, affordability, and availability.
- Assessment of the economic, environmental, and social costs created by the current housing crisis.
- The collection and dissemination of information, knowledge, and scientific data relating to housing in the City.
- Development of planning education programs for the general public.
- Utilization of the public in planning exercises and events.
- Creation of planning education programs for middle and high school students.

**REGIONAL COOPERATION**

Although there are many improvements and innovation to be made in the City of San Luis Obispo we must be cognizant of and supportive of regional planning issues and solutions. It would be hard to argue that the seven cities and the county do not constitute a region, even if its definition is difficult or impossible to describe. We are inextricably tied to our neighbors and them to us. One municipality's industry may be another's pollution or traffic.

During the update of the housing element, the San Luis Obispo region has been working together toward a common housing goal. This cooperation should continue and be capitalized upon for the creation of a full-time regional planning entity. This regional planning organization should be empowered by its member municipalities through the release of a small amount of sovereignty and work toward regional planning issues in an effort to strengthen all members. Priorities for this organization should include a non-competitive agreement over fiscal resources, the collection, analysis, and distribution of knowledge about regional planning issues, and the creation of regional goals, policies, and a plan to achieve them.

## APPENDIX 1

<b>Manufacturing and Processing Employment</b>		
Name of Company	Product	Employees
Agilonics	Contract manufacturing	4
Alfa Kleen Chemical Labs, Inc.	Biodegradable products	7
Anritsu Company	Information/communication	10
Calzyme Laboratories, Inc.	Enzymes/biochemicals	9
Cloud Company, Inc.	Machining	25
Crystal Engineering Corporation	Pressure equipment	7
Dioptics Medical Products	Sunglasses	43
Merit Electronics	Video/TV	2
Newport Corporation	Laser diode	56
Nu Seals, Inc.	Custom molds	35
Promega Biosciences, Inc.	Blood test reagents	55
SAES Pure Gas, Inc.	Gas purification	136
Strasbaugh	Semiconductor device	185
The Spice Hunter, Inc.	Blending/packaging	90
Ziatech Corporation	Microcomputer	200
Zoo Med Laboratories	Pet products	15

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<b>Non-Manufacturing Employment (40+ Employees)</b>	
Name of Company	Employees
Casey Printing	100
Charter Communications	61
City of San Luis Obispo city government	400
Cuesta College	456
Economic Opportunity Commission	150
Embassy Suites Hotel	73
Food 4 Less	45
French Hospital	289
Glenn Burdette Phillips Bryson	45
Goodwill Industries	75
Hospice Partners of the Central Coast	45
Ikon Office Solutions	40
Karleskint-Crum	142
KSBY-TV/NBC 6	75
KZOO, KKJG, KKAL, KWSR	40
Lifeguard	360
Linda mood-Bell	50
Madonna Inn hotel	269
Mission Medical Associates	204
Morris & Garritano Insurance	62
PG & E	1500
Premier Offset Printing	55
Quaglino Roofing, Inc.	52
Ralphs	63
Rancho Grande Motors	48
San Luis Coastal USD	670
San Luis Garbage Co.	50
San Luis Sourdough	77
Scolaris	58
SESLOC Federal Credit Union	92
Sierra Vista Reg. Medical Center hospital	562
SLO County Parks	70
SLO Firefighters Association	45
Southern California Gas	48
The Tribune	156
Transitions	55

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Veritas Software, Inc.	185
Wallace Computer Services	120
Wings West Aviation Services	84
Woodside Nursing	137
Work Training Program, Inc.	75

