

Lompoc City Council Agenda Item



City Council Meeting Date: March 18, 2008

TO: Gary Keefe, City Administrator

FROM: Lucille T. Breese, AICP, Planning Manager

SUBJECT: Housing In-Lieu Fee Program Review - Consideration of an update to the Housing In-Lieu Fee Program to reflect current housing costs and affordability levels, effective Citywide. (Planning Division File No. TA 02-03 -- Amendment No. 1)

RECOMMENDATION:

It is recommended that the City Council take the following action:

1. Take public testimony;
2. Adopt Resolution 5457(08) superceding Resolution No. 5135 (03) to increase the housing in-lieu fee; or
3. Provide alternative direction to staff.

BACKGROUND:

In 1992, the City of Lompoc adopted an update to its Housing Element of the General Plan. In adopting the 1992 Housing Element, the City adopted a policy that requires all residential development of ten units or more to provide ten percent of the units affordable to very low, low, and median income households. The policy further states that if it is determined to be infeasible to provide ten percent of the units to very low, low, and median income households on-site, providing the units off-site or payment of an in-lieu fee is acceptable.

This policy was amended with the adoption of the 1997 Housing Element of the General Plan. The amendment requires projects in the Old Town Redevelopment Project, Amendment No. 2 area to provide 15 percent of new housing affordable to very low, low, and moderate income households. Projects in the Redevelopment Project Area are not eligible to utilize the In-Lieu Program.

On December 2, 2003 the City Council adopted Resolution No. 5135(03) establishing an affordable housing in-lieu fee of \$86,180 per unit. The in-lieu fee was based on the construction costs, land costs, and median income, as they existed in 2003. All three of these factors have changed substantially since 2003. The in-lieu fee has not been updated since that time. The current in-lieu fee, therefore, does not reflect the current actual costs to create affordable units within the City of Lompoc.

In 2005, the Community Development Department prepared the Lompoc Affordable Housing Trust Fund Program Implementation Plan for monies collected in the Housing Fund. Effective February 27, 2008, a total of \$2,146,590.37 has been collected and \$1,675,620 has been committed for new residential units.

During the preliminary review to update the In-Lieu fee in 2007, Council directed staff to reduce the square footage that was utilized as a basis for the calculation. On February 5, 2008, the Council adopted Ordinance No. 1551 (08) amending Zoning Ordinance Section 9601 – Housing In-Lieu Fee Program definitions for the “Total Construction Costs of a Market Rate Single-Family Residential Unit” from 1500 square feet to 1300 square feet.

DISCUSSION:

The per unit in-lieu fee is based on a formula that calculates the difference between the price of a market rate housing unit and the maximum affordable sales price of a housing unit. For simplicity, the “price of a market rate housing unit” is expressed in the formula as the total construction cost of the unit, using specified criteria in the existing ordinance as reference sources. Thus, the proposed formula is as follows:

HOUSING IN-LIEU FEE CALCULATION

Total Construction Cost – Affordable Purchase Price = Housing In-Lieu Fee (per unit)

The current fee is based on the following criteria:

- A three bedroom, 1,500 square foot house, and 400 square foot garage;
- An affordable purchase price of a housing unit by a family in the low income category; and
- A 50% Land/Site Residual Contribution.

Using the formula and the standardized characteristics above, with a 50% land/site residual contribution, the current housing in-lieu fee of \$86,180 was established for each unit the developer would choose to pay for rather than providing on-site.

The per square foot cost of construction has increased since 2003 for both living space and garage space. The median income in Santa Barbara County has risen from \$60,600 in 2003 to \$67,186 in 2007. The affordable sales price of a three bedroom home for low income households rose from \$136,600 in 2003 to \$161,000 in 2007.

Hammock, Arnold, Smith & Company Real Estate Appraisers & Consultants prepared a study on June 8, 2007 entitled: Land/Site Component In-Lieu Fee Calculation Affordable Housing Program (Attachment 5) to determine the “Land/Site Residual Contribution”, which is the ratio of land and non-structural improvements to the cost of construction of a single-family residence. In 2003, that ratio was determined to be 50% of the cost of construction. The study concludes that in 2007, the land cost is 67.5% of the cost of construction. Both the 50% figure and the 67.5% figure presumed a reduction in sale price to allow for the cost of sale and developer profit of 15%.

The table below illustrates the changes in the factors from 2003 to 2007 that are used to determine the affordable housing in-lieu fee:

	2003	2007
Construction Costs*		
Living Space	\$92.40/sq.ft.	\$116.98/sq.ft.
Garage	\$24.30/sq.ft.	\$30.26/sq.ft.
Median Income**	\$60,600/yr.	\$67,100/yr.
Land/Site Residual***	50%	67.5%
Affordable Purchase Price****	\$136,600	\$161,000
Housing In-Lieu Fee	\$86,180	\$113,998

- * based on International Code Conference (ICC) cost figures plus cost of living increases.
- ** based on U.S. Department of Housing and Urban Development and Santa Barbara County's Housing Element (revised June 2002)
- *** based on Land/Site Component In-Lieu Calculation Affordable Housing Program
- **** based on Santa Barbara County 2007 Income and Prince Guidelines

No additional change is proposed to the text of the Housing In-Lieu Program or to the formulas used to calculate the fee. The origins of the data on which the calculations are based are the same as were used in 2003.

$$\begin{aligned}
 &1,300 \text{ sq.ft. of living space} \times \$116.98/\text{sq.ft.} = \$152,074 \text{ Living Space Cost} \\
 &400 \text{ sq.ft. of garage} \times \$30.26/\text{sq.ft.} = \$ 12,104 \text{ Garage Cost} \\
 &\$152,074 + \$12,104 = \$164,178 \text{ Construction Cost} \\
 &\$164,178 \times 67.5\% \text{ (land/site value)} = \$110,820 \text{ Land/Site Residual Contribution} \\
 &\$164,178 + \$110,820 = \$274,998 \text{ Total Construction Cost}
 \end{aligned}$$

$$\text{\$274,998} - \text{\$161,000 (affordable purchase price)} = \text{\$113,998 Housing In-Lieu Fee}$$

Environmental Review:

The proposed fee increase is statutorily exempt from the requirements of the California Environmental Quality Act (CEQA) as stated in the CEQA Guidelines Section 15273: "CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies, which the public agency finds are for the purpose of: ...(4) obtaining funds for capital projects, necessary to maintain service within existing service areas..." Section 15273 (c) states: "The public agency shall incorporate written findings in the record of any proceedings in which an exemption under this section is claimed setting forth with specificity the basis for the claim of exemption."

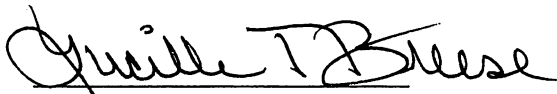
Since the fee is to fund an existing program and since there is no expansion of the affordable housing program resulting from the fee increase, this exemption is applicable. Staff will include language in the Resolution that finds that this fee increase would fund a capital project necessary to meet the City's affordable housing obligations and is, therefore, exempt from CEQA.

Noticing:

The proposed fee increase analysis was posted for public review on February 22, 2008:

At the City of Lompoc public counter;
At the City of Lompoc public library; and
On the City of Lompoc website.

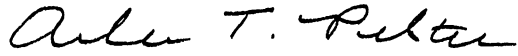
A notice of the public hearing was placed in the Lompoc Record and mailed to persons who have expressed interest in the matter on March 7, 2008.


Lucille T. Breese, AICP
Planning Manager

Attachments:

1. Draft Resolution No. 5457 (08)
2. 2007 Santa Barbara County Housing Income and Price Guidelines
3. Ordinance No. 1492 (03)
4. Resolution No. 5135 (03)
5. Hammock, Arnold, Smith and Company Land/Site Component Study

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:



Arleen T. Pelster, AICP, Community Development Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Gary Keefe, City Administrator

RESOLUTION NO. 5457(08)

**A Resolution Of The Council Of The City Of Lompoc,
County Of Santa Barbara, State Of California,
Updating The Land/Site Residual Contribution Factor Of The Per Unit Housing In-Lieu Fee
Calculation And Updating The Housing In-Lieu Fee**

WHEREAS, Policy 1.11 of the Housing Element of the City of Lompoc's General Plan allows the payment of a fee in lieu of providing affordable housing units on-site, if on-site units are determined to be infeasible, in residential developments of ten or more units for projects located outside of the Old Town Redevelopment Project, Amendment No. 2 area; and

WHEREAS, the City Council of the City of Lompoc held a duly noticed public hearing on March 18, 2008 to consider information, including a written background report and study dated June 8, 2007, and public input on the proposed housing in-lieu fee update; and

WHEREAS, the current housing in-lieu fee calculation of \$86,180.00 established by City Council Resolution No. 5135(03) is out-of-date with the current development costs and with Sections 9600 through 9607 of the Lompoc City Code; and

WHEREAS, the total construction cost for a 1,200 square foot, three bedroom single family dwelling unit and a 400 square foot garage, without sale cost and developer profit, is \$187,574; and

WHEREAS, the maximum affordable purchase price at which a low income household can purchase a three bedroom single family dwelling is \$161,000; and

WHEREAS, the affordability gap is determined to be \$113,998; and

WHEREAS, the fee increase is a capital improvement project that is Statutorily Exempt from CEQA per Section 15273 (a) (4) of the State CEQA Guidelines, which exempts the modification of charges by public agencies where there is no expansion to a system.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMPOC, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council does hereby determine, for purposes of calculating an affordable housing in-lieu fee, that the Total Construction Cost of a housing unit is equal to the Construction Cost plus the Land/Site Residual Contribution.

SECTION 2. The City Council does hereby determine that the Land/Site Residual Contribution can be calculated from a ratio established to reflect the demonstrated relationship that exists between Construction Cost and the land and site improvement contribution.

SECTION 3. The City Council does hereby approve and adopt the following percentage as the land/site residual contribution:

Land/Site Residual Contribution = 67.5%

SECTION 4. The City Council does hereby determine for purposes of calculating an affordable housing in-lieu fee that the affordability gap is equal to \$113,998 per unit.

SECTION 5. The City Council does hereby approve and adopt the housing in-lieu fee of \$113,998 per affordable unit required based on Policy 1.11 of the Housing Element of the City of Lompoc's General Plan and Sections 9600 through 9607 of the Lompoc City Code;

SECTION 6. The City Council does hereby determine that the total housing in-lieu fee is calculated by multiplying the required number of affordable housing units required by Policy 1.11 of the Housing Element of the City of Lompoc's General Plan by the per-unit housing in-lieu fee referenced in SECTION 5.

SECTION 7. The City Council does hereby determine that the housing in-lieu fee may be revised periodically, but at a minimum of every two years, to address changes in market conditions.

SECTION 8. This Resolution supercedes Resolution No. 5135(03) and is effective upon its adoption.

The above and foregoing Resolution was proposed by Councilmember _____, seconded by Councilmember _____, and was duly passed and adopted by the Council of the City of Lompoc at its regular meeting on _____ by the following vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

Dick DeWees, Mayor
City of Lompoc

ATTEST:

Donna N. Terrones
City Clerk, City of Lompoc

2007 HOUSING INCOME AND PRICE GUIDELINES

Effective March 22, 2007

Based on the median family income of \$67,100 for Santa Barbara County as determined by the U.S. Department of Housing and Urban Development and Santa Barbara County's Housing Element (revised June 2002)

Maximum Allowable Household Incomes for 2007* (by household size and income category)

Household Size (persons in household)	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (above 120 – 150%)
1	\$23,500	\$37,600	\$46,950	\$56,350	\$70,450
2	26,850	42,950	53,700	64,400	80,500
3	30,200	48,300	60,400	72,450	90,600
4	33,550	53,700	67,100	80,500	100,650
5	36,250	57,950	72,450	86,950	108,700
6	38,900	62,250	77,850	93,400	116,750
7	41,600	66,550	83,200	99,850	124,800
8 or more	44,300	70,850	88,550	106,300	132,850

Maximum Allowable Sales Prices for 2007* (by bedroom size and income category)

Number of Bedrooms	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (above 120 – 150%)
Studio	\$70,500	\$112,700	\$140,900	\$169,100	\$211,400
1	80,500	128,800	161,000	193,200	241,600
2	90,600	144,900	181,200	217,400	271,800
3	100,700	161,000	201,300	241,600	302,000
4	106,900	171,100	213,900	256,700	320,800

Maximum Allowable Rents for 2007* (bedroom size and income category)

Number of Bedrooms	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (Above 120 – 150%)
Studio	\$500	\$700	\$910	\$1,110	n/a
1	630	880	1,130	1,380	n/a
2	750	1,060	1,360	1,660	n/a
3	890	1,250	1,600	1,960	n/a
4	1,010	1,410	1,810	2,210	n/a

* Please note that these numbers may be subject to change March 2008

ATTACHMENT NO. 2
 City Council Staff Report
 Housing In-Lieu Fee Update
 File No. TA 02-03 – Amendment No. 1
 March 18, 2008

ORDINANCE NO. 1492(03)

AN ORDINANCE OF THE CITY OF LOMPOC ADDING CHAPTER 18
TO TITLE 3 OF CHAPTER 50 OF THE LOMPOC CITY CODE
PERTAINING TO THE HOUSING IN-LIEU FEE PROGRAM

DEC 22 2008

CITY OF LOMPOC
PLANNING DIVISION

THE CITY COUNCIL OF THE CITY OF LOMPOC DOES ORDAIN AS FOLLOWS:

SECTION 1. Chapter 18 is hereby added to Title 3 of the Zoning Ordinance (Chapter 50) of the Lompoc City Code to read as follows:

Section 9600. Purpose and Intent.

The purpose of this Chapter is to implement a Housing In-Lieu Fee program that will allow a Developer of a Residential Development to elect to make payment of a fee as an alternative to satisfying the on-site affordable housing requirement contained in Policy 1.11 of the Housing Element of the General Plan. This provision for in-lieu fees applies only to Residential Development of single family for-sale dwelling units.

Section 9601. Definitions.

The definitions set forth in this section shall govern the construction of this chapter. Capitalization is used to identify defined terms used throughout this chapter. Where not defined below, certain words and phrases used in this chapter may be defined in the Housing Element of the General Plan or the Zoning Ordinance.

- (a) "Affordable Purchase Price" means a maximum Housing Cost at which a Low Income Household Unit may purchase a three bedroom single family dwelling resulting in a maximum Housing Cost not exceeding 3 times 50 percent of the Area Median Income, multiplied by the Unit Size Adjustment Factor, and rounded to the nearest 50 dollars, as provided in the Housing Income And Price Guidelines published annually by the County of Santa Barbara.
- (b) "Area Median Income" means the annual median income for the County of Santa Barbara as determined by the U.S. Department of Housing and Urban Development (HUD) and provided to the City by the State Department of Housing and Community Development (HCD).
- (c) "City" means the City of Lompoc.
- (d) "Construction Costs" means the square footage costs contained in the "Building Valuation Data" table in the Building Standards magazine, as published bimonthly by the International Conference of Building Officials (ICBO), or equivalent magazine published by the International Code Conference (ICC), for residential construction. Said square footage costs shall be the total costs to construct an 1,500 square foot single family dwelling of Type V – wood frame construction, of "good" quality, and a 400 square foot garage of Type V – wood frame construction, of "good" quality, locally adjusted using the regional modifier for Los Angeles, California.
- (e) "Developer" means every person, firm, or corporation (and their successor's and assigns) that undertakes a Residential Development, directly or through the services of any employee, agent, independent contractor or otherwise subject to the provisions of this chapter.
- (f) "General Plan" means the General Plan of the City of Lompoc, as it may be amended from time to time.
- (g) "Gross Income" means the anticipated income of a person or family for the twelve-month period following the date of determination of income, established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, and published in Title 25, Section 6914, of the California Code of Regulations. The elements of Gross Income include: (i) wages, salaries, tips, commissions, etc.; (ii) self-

employment income from owned non-farm business, including proprietorships and partnerships; (iii) farm self-employment income; (iv) interest, dividends, net rental income, or income from estates or trusts; (v) Social Security or railroad retirement; (vi) Supplemental Security Income, Aid to Families with Dependent Children, or other public assistance or public welfare programs; (vii) retirement, survivor, or disability pensions; and (viii) any other sources of income received regularly, including Veterans' (VA) payments, unemployment compensation, and alimony.

(h) "Housing Cost" means the sum of all of the costs associated with the purchase and maintenance of a dwelling unit as defined in Title 25, Section 6920 of the California Code of Regulations. For owner-occupied dwellings, Housing Cost means the total of monthly payments encompassing principal and interest on a mortgage loan, including any loan insurance fees, property taxes and assessments, fire and casualty insurance, property maintenance and repairs, homeowner association fees, and a reasonable allowance for utilities.

(i) "Housing Fund" means the City of Lompoc Affordable Housing Trust Fund established pursuant to Section 9605 of this Chapter.

(j) "Housing In-Lieu Fee" means the per-unit fee established pursuant to Sections 9602 (Applicability) and 9603 (Calculation of Housing In-Lieu Fee) of this Chapter. The total Housing In-Lieu Fee shall be calculated by multiplying the required number of affordable housing units by the per-unit housing fee.

(k) "Land And Site Development Costs" means Construction Cost multiplied by the Land/Site Residual Contribution.

(l) "Land/Site Residual Contribution" means the monetary allowance for all the non-structural improvements and the land associated with the Total Construction Cost. The Land/Site Residual Contribution may include, but not be limited to such improvements as grading, landscaping, driveways, patios, and fencing. The Land/Site Residual Contribution is calculated from a ratio established to reflect the demonstrated relationship that exists between Construction Cost and the land and site improvement contribution. The Land/Site Residual Contribution is expressed as a percentage. The ratio and percentage shall be established by resolution and may be revised periodically to address changes in market conditions.

(m) "Low Income Household Unit" means a household whose Gross Income does not exceed the qualifying limits for low income families, established and amended from time to time, by the U.S. Department of Housing and Urban Development and provided to the City by the State Department of Housing and Community Development (HCD).

(n) "Residential Development" means and includes one or more groups of projects consisting of ten or more single family dwelling units, for sale, which entail: (i) constructing or placing any new single family dwelling units in a permanent location; (ii) converting a nonresidential building to single family residential use(s); (iii) Substantial Rehabilitation of an existing dwelling where the result of the rehabilitation would be a net increase in available single family residential units; or (iv) subdivision of land which is planned, designed, or used for residential purposes.

(o) "Substantial Rehabilitation" means rehabilitation, the value of which constitutes 25 percent of the after rehabilitation value of a dwelling, inclusive of land value.

(p) "Total Construction Cost Of A Market Rate Single Family Residential Unit" means Land And Site Development Costs plus Construction Costs for a 1,500 square foot, three bedroom single-family dwelling unit and a 400 square foot garage.

(q) "Unit Size Adjustment Factor" means an adjustment factor based on the number of bedrooms of a given unit used when calculating Affordable Purchase Price. For purposes of this chapter, the unit size adjustment factor for a three bedroom for-sale unit is 1.0.

(r) "Zoning Ordinance" means the Zoning Ordinance of the City of Lompoc, as it may be amended from time to time.

Section 9602. Applicability.

With the exception of areas within the Old Town Redevelopment Project, Amendment No. 2 area, in residential developments of ten units or more, a Developer of single family for-sale units, at his or her option, may satisfy the affordable housing unit requirement contained in Policy 1.11 of the Housing Element of the General Plan by payment of a Housing In-Lieu Fee. Said fee may be used to satisfy the entire affordable housing unit requirement or a portion of the affordable housing unit requirement with the remainder of the portion satisfied by providing on-site affordable housing in accordance with the policies of the General Plan. This chapter shall not apply to areas within the Old Town Redevelopment Project, Amendment No. 2 area.

Section 9603. Calculation of Housing In-Lieu Fee.

The Housing In-Lieu Fees shall be calculated in its entirety at the time of issuance of the first building permit for construction of the first dwelling unit in the Residential Development. Said fee shall be calculated on the basis of the difference between the estimated Total Construction Cost Of A Market Rate Single Family Residential Unit and the Affordable Purchase Price of a dwelling unit for which a Low Income Household Unit can qualify. Thus,

<i>HOUSING IN-LIEU FEE CALCULATION</i>
<i>Total Construction Cost - Affordable Purchase Price = Housing In-Lieu Fee (per unit)</i>

The total Housing In-Lieu Fee shall be calculated by multiplying the required number of affordable housing units by the per-unit Housing In-Lieu Fee. Thus,

<i>TOTAL HOUSING IN-LIEU FEE CALCULATION</i>
<i>Per Unit Housing In-Lieu Fee x required number of affordable housing units</i>

Section 9604. Payment of Housing In-Lieu Fee.

The Housing In-Lieu Fee shall be paid in one of the following manners:

- (a) As a lump sum prior to the issuance of the first building permit for construction of the first dwelling unit in the Residential Development;
- (b) Total Housing In-Lieu Fee calculated and divided equally among the total number of units in the Residential Development and collected as a fee prior to issuance of each building permit;
- (c) On a *pro rata* basis proportionally on a 10:1 ratio, payment of in-lieu fees equal to one inclusionary unit shall be paid prior to issuance of building permit for the next dwelling unit. The project conditions of approval shall specify the payment schedule of in-lieu fees based on the prorated computation (e.g., for a 100 unit Residential Development, the first in-lieu fee payment would be due prior to issuance of the building permit for the 11th unit, the second in-lieu fee payment would be due prior to issuance of the building permit for the 21st unit, etc.); or,
- (d) Developers of projects under construction at the effective date of this ordinance, for which in-lieu fees are opted to be paid rather than providing inclusionary housing on-site, shall pay the total Housing In-Lieu Fee prior to further issuance of any building permits for dwelling units in the Residential Development.

When in the process of determining the number of affordable housing units in accordance with the policies of the General Plan there occurs a fraction of an affordable

unit, any fraction above .1 shall be deemed a requirement for one additional affordable unit. The Housing In-Lieu Fee shall be calculated on the number of affordable housing units required in the Residential Development.

Section 9605. Affordable Housing Trust Fund.

All Housing In-Lieu Fees collected under this Chapter shall be deposited into an Affordable Housing Fund ("Housing Fund"). Separate accounts within such Housing Fund may be created from time to time to avoid commingling as required by law or as deemed appropriate to further the purposes of the Housing Fund. The Housing Fund shall be administered by the City Administrator (or his/her designee) who shall have the authority to govern the Housing Fund consistent with this Chapter, and to prescribe procedures for said purpose, subject to approval by the City Council. Expenditures from the Housing Fund shall be controlled, authorized and paid in accordance with general City budgetary policies. Execution of contracts related to the use or administration of Housing Fund monies shall be in accordance with standard City Council policy.

Section 9606. Purposes and Use of Funds.

Monies deposited in the Housing Fund along with any interest earnings on such monies shall be used solely to increase and improve the supply of housing affordable to households of very low-, low-, and moderate-income.

Section 9607. Planning and Programming.

Monies in the Housing Fund shall be used to further the goals, policies, programs and priorities identified in the City's Housing Element of providing housing affordable for homeownership for families of very low-, low-, and moderate-income levels. Monies in the Housing Fund may be disbursed, hypothecated, collateralized or otherwise employed for these purposes from time to time as the City Council determines is appropriate to accomplish the purposes of the Housing Fund. These uses include, but are not limited to, assistance to first time homebuyers.

SECTION 2. This Ordinance shall be effective thirty (30) days after its enactment.

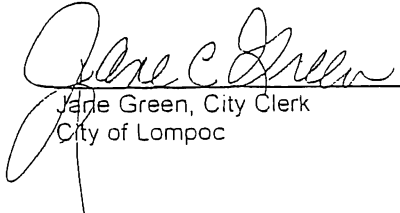
PASSED AND ADOPTED this 16th day of December, 2003, by the following electronic vote:

AYES:	Councilmember:	DeWayne Holmdahl, Will Schuyler, Michael Siminski, and Mayor Dick DeWees.
NOES:	Councilmember:	Janice Keller
ABSTAIN:	Councilmember:	None.



Dick DeWees, Mayor
City of Lompoc

ATTEST:



Jane Green, City Clerk
City of Lompoc

RESOLUTION NO. 5135 (03)

A Resolution Of The Council Of The City Of Lompoc,
County Of Santa Barbara, State Of California,
Adopting The Land/Site Residual Contribution Factor of the Per Unit Housing In-
Lieu Fee Calculation And Establishing A Housing In-Lieu Fee

WHEREAS, Policy 1.11 of the Housing Element of the City of Lompoc's General Plan allows the payment of a fee in lieu of providing affordable housing units on-site, if on-site units are determined to be infeasible, in residential developments of ten or more units for projects located outside of the Old Town Redevelopment Project, Amendment No. 2 area; and

WHEREAS, the City Council of the City of Lompoc held duly noticed public hearings on April 1, 2003, November 18, 2003, and December 2, 2003, to consider information, including a written background report and study dated April 1, 2003, and public input on the proposed housing in-lieu fee, and

WHEREAS, the written report outlines several methodologies for calculating a housing in-lieu fee; and

WHEREAS, the methodologies represented in the background report and study consider a housing in-lieu fee based on the ability of households to pay for housing and the cost to construct housing, referred to herein as an affordability gap; and

WHEREAS, the total cost to construct housing includes non-structural improvements and the land, referred to herein as the land/site residual contribution; and

WHEREAS, the total construction cost for a 1,500 square foot, three bedroom single family dwelling unit and a 400 square foot garage, without sale cost and developer profit, is \$222,480; and

WHEREAS, the maximum affordable purchase price at which a low income household can purchase a three bedroom single family dwelling is \$136,300; and

WHEREAS, the affordability gap is determined to be \$86,180.00;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMPOC, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council does hereby determine for purposes of calculating an affordable housing in-lieu fee that the Total Construction Cost of a housing unit is equal to the Construction Cost plus the Land/Site Residual Contribution.

SECTION 2. The City Council does hereby determine that the Land/Site Residual Contribution can be calculated from a ratio established to reflect the demonstrated relationship that exists between Construction Cost and the land and site improvement contribution.

SECTION 3. The City Council does hereby approve and adopt the following percentage as the land/site residual contribution:

Land/Site Residual Contribution = 50%

SECTION 4. The City Council does hereby determine for purposes of calculating an affordable housing in-lieu fee that the affordability gap is equal to \$86,180.00 per unit.

SECTION 5. The City Council does hereby approve and adopt the housing in-lieu fee of \$86,180.00 per affordable unit required based on Policy 1.11 of the Housing Element of the City of Lompoc's General Plan:

SECTION 6. The City Council does hereby determine that the total housing in-lieu fee is calculated by multiplying the required number of affordable housing units required by Policy 1.11 of the Housing Element of the City of Lompoc's General Plan by the per-unit housing in-lieu fee referenced in SECTION 5.

SECTION 7. The City Council does hereby determine that the housing in-lieu fee may be revised periodically, but at a minimum of every two years, to address changes in market conditions.

SECTION 8. This Resolution is effective upon its adoption.

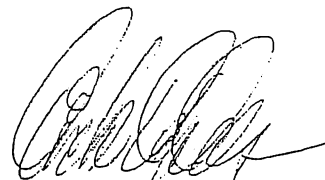
The above and foregoing Resolution was proposed by Councilmember Holmdahl, seconded by Councilmember Siminski, and was duly passed and adopted by the Council of the City of Lompoc at its regular meeting on December 2, 2003 by the following vote:

AYES: Councilmember: DeWayne Holmdahl, Janice Keller, Will Schuyler, Michael Siminski, and Mayor Dick DeWees.

NOES: Councilmember: None.

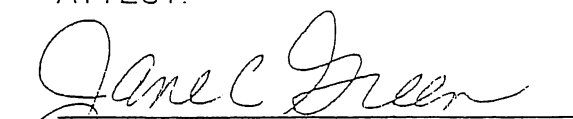
ABSTAIN: Councilmember: None.

ABSENT: Councilmember: None.



Dick DeWees, Mayor
City of Lompoc

ATTEST:

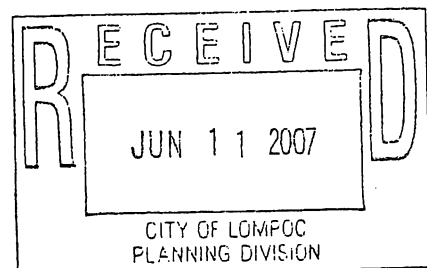

Jane C. Green
City Clerk, City of Lompoc

LAND/SITE COMPONENT
IN-LIEU FEE CALCULATION
AFFORDABLE HOUSING PROGRAM

Date of Report:
June 8, 2007

Prepared For:
City of Lompoc
100 Civic Center Place
Lompoc, CA 93438

Attention:
Lucille T. Breese, AICP
City Planner



HAMMOCK, ARNOLD, SMITH & CO. COMPANY
Real Estate Appraisers & Consultants

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215 W. FIGUEROA STREET
SANTA BARBARA
CALIFORNIA 93101

June 8, 2007

City of Lompoc
100 Civic Center Place
Lompoc, CA 93438

Attention: Lucille T. Breese, AICP
City Planner

Reference: Land/Site Component
In-Lieu Fee Calculation
Affordable Housing Program

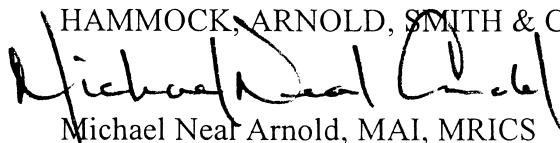
Dear Ms. Breese:

As requested and authorized, an update study has been made for the purpose of developing an opinion of the appropriate Land/Site component for use in the calculation of In-Lieu Fees for the affordable housing requirements in proposed new housing developments in the City of Lompoc. This report updates the opinions expressed in my report dated February 27, 2003.

On the following pages can be found a report setting forth some of the information and conclusions which, in part, form the basis for the opinions expressed.

This appraisal and report are intended to conform to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, the Standards of Professional Appraisal Practice and Code of Professional Ethics of the Appraisal Institute, and the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. This document is intended to be classified as a Summary Report.

Respectfully submitted,

HAMMOCK, ARNOLD, SMITH & CO.

Michael Neal Arnold, MAI, MRICS
CA #AG002089

MNA:lz

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SUMMARY OF SALIENT FACTS

Intended Use of Appraisal: Calculation of "In-Lieu" Fees

Intended User of Appraisal Report: Addressee and Assignees

Date of Study: January – April 2007

Purpose of Study: Estimate appropriate Land/Site
Component

Intended Application: Until revised

Conclusions:

With Sale Cost & Developer
Profit Taken Into Account: Land/Site = 67.5% of Construction Costs

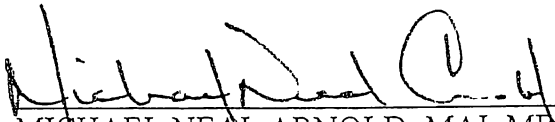
Without Sale Cost & Developer
Profit Taken Into Account: Land/Site = 97.5% of Construction Costs

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- o the statements of fact contained in this report are true and correct.
- o the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and recommendations.
- o I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- o I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- o my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- o my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- o my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- o I have made a personal inspection of the properties that are the subject of this report.
- o no one provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.
- o the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.


MICHAEL NEAL ARNOLD, MAI, MRICS
CA #AG002089

PREMISES OF STUDY

ASSUMPTIONS AND LIMITING CONDITIONS

This study and report have been made with the following general assumptions and limiting conditions:

- 1) As agreed upon with the client prior to the preparation of this study, this is an appraisal Consulting Assignment because it is focused on general property characteristics and not a specific property.
- 2) This is a Summary Report which is intended to comply with the reporting requirements set forth under Standard Rule 5 of the Uniform Standards of Professional Appraisal Practice for a Real Property Appraisal Consulting Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- 3) No responsibility is assumed for legal or title considerations. Title to property is assumed to be good and marketable unless otherwise stated in this report.
- 4) The property is considered free and clear of any or all liens and encumbrances unless otherwise stated in this report.
- 5) Responsible ownership and competent property management are assumed unless otherwise stated in this report.
- 6) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 7) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing property characteristics.

- 8) It is assumed that there are no hidden or unapparent conditions of any discussed property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 9) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- 10) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
- 11) It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the estimates contained in this report are based.
- 12) Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing a property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
- 13) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
- 14) The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property.

The appraiser's conclusions are predicated on the assumption that there is no such material on or in a property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal consulting process.

- 15) Unless otherwise stated in this report, properties are considered without a specific compliance survey having been conducted to determine if a property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect a property's value, marketability, or utility.
- 16) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 17) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.
- 18) Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with properly written qualification and only in its entirety.
- 19) Neither all nor any part of the contents of this report (especially any conclusions, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser. This is not intended to preclude the use of this report that would include presentation to the City of Lompoc Planning Commission and City Council. As such, it is understood that this report will become included in Public Record.

PURPOSE AND DATE OF STUDY

The purpose of this study is to set forth my updated opinion as to the appropriate Land/Site component for use in the calculation of In-Lieu Fees for affordable housing requirements in proposed new housing developments. Opinions and other matters expressed in this report are stated as of January 2007 through April 2007.

SCOPE OF WORK

The scope of this study is discussed in detail in various sections of this report. Generally an evaluation analysis has been completed including defining the issue, developing methodology, conducting surveys, analyzing data, and forming opinions. Insofar as is practical, every effort has been made to verify as factual and true all data set forth in this report. However, no responsibility is assumed for the accuracy of any information furnished by others.

INTENDED USE OF STUDY & REPORT

The intended use of this report is to provide Land/Site value ratio information to assist the client in calculating In-Lieu Fees.

INTENDED USER OF STUDY & REPORT

The intended user of this report is the addressee and assignees.

COMPETENCY PROVISION

Prior to accepting this assignment, the questions posed and the nature of the study was discussed with the client. I have the knowledge and experience to complete this consulting assignment having appraised this property type before. Please see Appraiser's Experience Data included in the Addenda to this report for additional information.

DEFINITION OF TERMS

HOUSING IN-LIEU FEE

The per-unit fee established pursuant to Sections 9602 (Applicability) and 9603 (Calculation of Housing In-Lieu Fee) of Chapter 18. The total Housing In-Lieu Fee shall be calculated by multiplying the required number of affordable housing units by the per-unit housing fee.

For the purpose of this study, the formula for calculating the per unit housing fee will be as follows:

$$\text{Total Construction Cost} - \text{Affordable Purchase Price} = \text{Housing In-Lieu Fee (per unit)}$$

TOTAL CONSTRUCTION COST

Land and Site Development Costs plus Construction Costs for a 1,800 square foot, three bedroom single-family dwelling unit and a 400 square foot garage.

CONSTRUCTION COSTS

In the original report, "Construction Costs" were defined as the square footage costs contained in the "Building Valuation Data" table in the Building Standards magazine, as published bimonthly by the International Conference of Building Officials (ICBO), or equivalent magazine published by the International Code Conference (ICC), for residential construction. Said square footage costs shall be the total costs to construct an 1,800 square foot single family dwelling of Type V – wood frame construction, of "good" quality, and a 400 square foot garage of Type V – wood frame construction, of "good"

quality, locally adjusted using the regional modifier for Los Angeles, California.

Current investigations have revealed that the International Code Conference no longer publishes cost figures for specific geographic locations (they use national averages). After discussions with officials in their Chicago offices, it has been determined that it would be appropriate to adjust the factors from the original study for cost of living increases. The ICC uses Marshall & Swift for their basic cost figures. Therefore, Marshall & Swift Marshall Valuation Service has been consulted for the appropriate update factors.

LAND/SITE RESIDUAL CONTRIBUTION

The monetary allowance for all the non-structural improvements and the land associated with the Total Construction Cost. The Land/Site Residual Contribution may include, but not be limited to such improvements as grading, landscaping, driveways, patios and fencing. The Land/Site Residual Contribution is calculated from a ratio established to reflect the demonstrated relationship that exists between Construction Cost and the land and site improvement contribution. The Land/Study Residual Contribution is expressed as a percentage. The ratio and percentage shall be established by resolution and may be revised periodically to address changes in market conditions.

AFFORDABLE PURCHASE PRICE

A maximum Housing Cost at which a Very Low Income Household Unit may purchase a three bedroom single family dwelling resulting in a

maximum Housing Cost not exceeding 3 times 50 percent of the Area Median Income, multiplied by the Unit Size Adjustment Factor, and rounded to the nearest 50 dollars, as provided in the Housing Income And Price Guidelines published annually by the County of Santa Barbara.

RESIDENTIAL DEVELOPMENT

Includes one or more groups of projects consisting of ten or more single family dwelling units, for sale, which entail: (i) constructing or placing any new single family dwelling units in a permanent location; (ii) converting a nonresidential building to a residential uses; (iii) Substantial Rehabilitation of an existing dwelling where the result of the rehabilitation would be a net increase in available single family residential units; or (iv) subdivision of land which is planned, designed, or used for residential purposes.

DEVELOPER

Every person, firm, or corporation (and their successor's and assigns) that undertakes a Residential Development, directly or through the services of any employee agent, independent contractor or otherwise subject to the provisions of the General Plan and the Zoning Ordinance of the City of Lompoc.

THE STUDY

INTRODUCTION

The Lompoc City Planning Department is devising a program to allow “In-Lieu” Fees for developers opting not to provide affordable housing units as prescribed by the City of Lompoc’s General Plan. The program includes a formula for calculating the amount of In-Lieu Fee unit not provided. The basic formula is:

$$\text{Total Construction Cost} - \text{Affordable Purchase Price} = \text{Housing In-Lieu Fee (per unit)}$$

Definitions for the terms used in this formula can be found in the Premises section of this report. The Affordable Purchase Price is a “given” in that it is abstracted from published guidelines. The Total Construction Cost is made up of two component parts; the Construction Cost (for structures) and the Land/Site Residual Contribution. The Construction Cost is also a “given” in that it is based on adjusted published construction cost figures as applied to a defined theoretical residence. The Land/Site Residual Contribution is the focus of this study and report.

THE PROBLEM

As defined, the Total Construction Cost is derived by the following formula:

$$\text{Construction Cost} + \text{Land/Site Residual Contribution} = \text{Total Construction Cost}$$

As discussed, the Construction Cost is considered as being a given. For the purpose of this study, the Land/Site Residual Contribution has been considered an unknown.

Traditionally, the method of estimating the Land/Site Residual Contribution has been by individual and specific appraisal. This process requires that appraisals be made for each proposed development. The valuation would usually be based on surveys for, and analysis of, comparable site sales with similar elements (size, on and off site improvements, etc.) to those of the proposed subject sites. While generally accurate and fair, this process can be cumbersome, time consuming, and expensive.

An alternative methodology has been sought. The parameters of consideration have been fairness, accuracy, and facility of application.

THE PROCESS

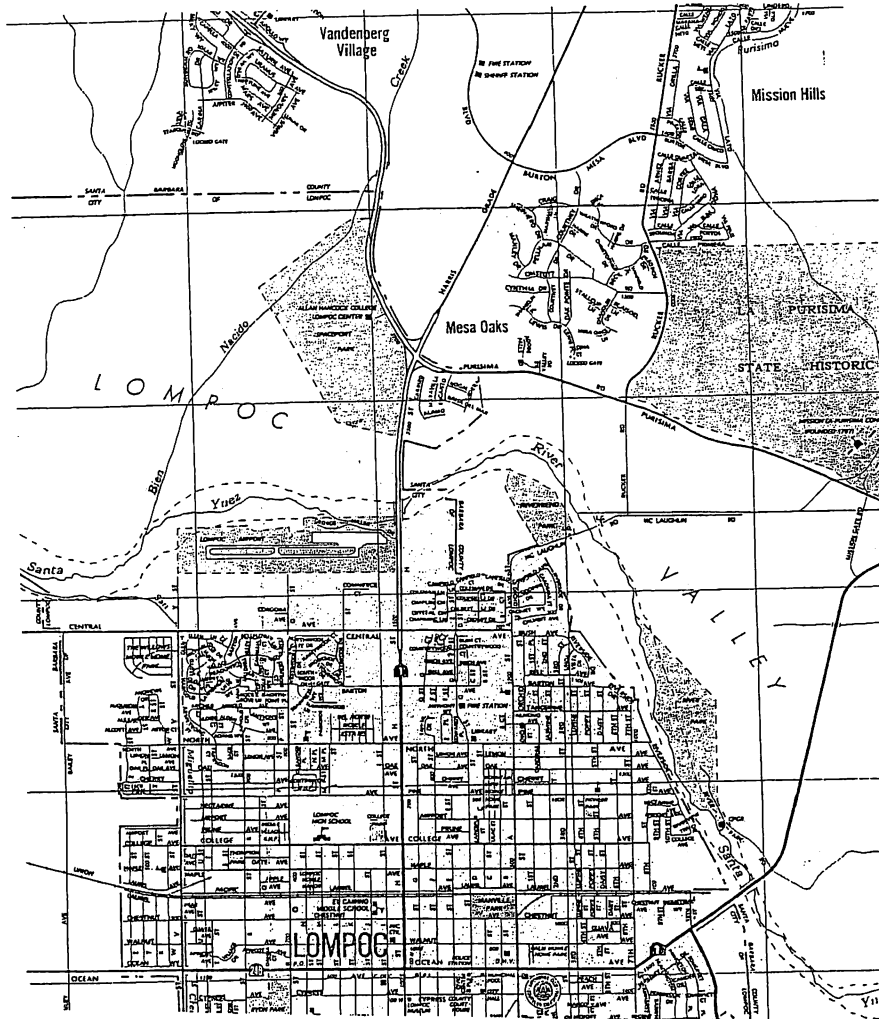
After investigations including interviews with government housing officials, developers, appraisers, and others concerned with housing, a process has been developed. The process is focused on the acknowledged mathematical relationship that exists between the Construction Cost of structural improvements (e.g. residence and garage) and the Land/Site Residual Contribution (e.g. the land, off-site improvements, and site improvements).

There have been traditional “rules of thumb” about the value ratio that exists between land and improvements. While the notion of rules of thumb should not be entirely disregarded, it is felt that in this situation, something more concrete is required.

Therefore, a study has been made for the purpose of exploring the relationship, as it actually exists, between Construction Cost and Land/Site Residual Contribution.

STUDY AREA

Areas in Vandenberg Village and Mesa Oaks have been selected as having the highest likelihood of providing meaningful data. The areas have been where the most concentrated residential construction activity has occurred during the time period studied.



While not completely uniform, the areas have a preponderance of newer tract (mass produced) housing projects. These areas are judged most appropriate for the study.

STUDY PROCEDURES

Samplings of sales of newer homes were surveyed to discover data that was most uniform in property elements. These elements include site size, site improvements, structure size, age, and quality, and other amenities.

The selected survey data was then analyzed on the following basis:

Sale Price Determination:

The apparent sale price was determined using various sources including Multiple Listing Service, CORT (a private data service), and County Assessor's Office records. Due to a preponderance of data, sales not easily confirmed were eliminated from the sample pool.

Allocation of Sale Price:

Two scenarios were used: One (1) presumed a reduction in sale price to allow for cost of sale and developer profit. The other (2) used net proceeds without these items being subtracted. The theoretical example following is, in effect, a composite intended to be reflective of the data surveyed:

Scenario	<u>1</u>	<u>2</u>
Sale Price	\$450,000	\$450,000
Sale Cost & Profit (15%)	<u>- 67,500</u>	<u>- 0 -</u>
Net Proceeds:	\$382,500	\$450,000

Next, an allowance was calculated for the Construction Cost for the improvements. For consistency, adjusted cost figures were used from the original study and report. When appropriate depreciation was calculated using the age/life method. The Construction Cost estimate

was then subtracted from the Net Proceeds to develop an indication of Land/Site Residual. The example continues:

Net Proceeds:	\$382,500	\$450,000
Construction Cost		
1,850 Sq. Ft. x \$116.98 =	\$216,413	
440 Sq. Ft. x \$30.26 =	<u>13,534</u>	
Total:	<u>-229,947</u>	<u>-229,947</u>
Implied Residual to Land/Site:	\$152,553	\$220,053

Finally, a ratio was established by dividing the Land/Site Residual Contribution by the Construction Cost, to wit:

Land/Site Residual	\$152,553	\$220,053
Construction Cost	<u>÷ 229,947</u>	<u>÷ 229,947</u>
Net Proceeds:	.6634 (66%)	.9570 (96%)

In the hypothetical example used, the Land/Site Residual Contribution was equivalent to approximately 66% of Construction Cost when cost of sale and profit were taken into account. The ratio jumped to 96% when these items were not included.

STUDY RESULTS

Surveys were made looking at annual sales within the study area between 2004 and 2006. Set out below are the results of the survey for the most recent year. While considered less relevant, the other data is generally supportive.

<u>Data</u>	<u>Land/Site Residual w/Cost & Profit</u>	<u>Land/Site Residual w/o Cost & Profit</u>
1	81%	113%
2	93%	127%
3	55%	82%
4	59%	87%
5	61%	89%
6	61%	89%
7	62%	91%
8	69%	99%
9	72%	102%
10	74%	105%
11	64%	92%
12	65%	94%
13	75%	105%
14	66%	95%
Range	55% - 93%	82% - 127%
Mean	68%	98%
Median	74%	104.5%
Mode	61% - 69%	89% - 99%

Real estate markets are imperfect. Therefore it is not surprising that the data present an array of results rather than point indication. None-the-less, the data demonstrates discernable trends and clusterings.

The range of indications are rather broad; 55% to 93% and 82% to 127% respectively. However, eliminating the extremes narrows the ranges considerably; to say 60% to 75% and 85% to 100% respectively. It is judged that the highest probability is that, in each case, the appropriate selection lies within the narrowed range.

The mean and median indications for each case are highly supportive and helpful in pointing to the areas in the narrowed ranges where the appropriate selections most likely lie.

Finally, the modes are stated as ranges, rather than point indications, because the data pool is a relatively small sample size. In both cases 50% of the data pool fell into the narrow mode ranges.

CONCLUSIONS

In the preceding sections of this report there have been discussions of methodology and applications of methodology to develop fair and supportable estimates of the Land/Site Residual Contribution to be used in the formula for determining appropriate Housing In-Lieu Fees. As discussed, the Land/Site Residual Contribution is to be expressed in terms of its relationship to Construction Cost.

The study and surveys made point rather conclusively to, if not point percentage numbers, fairly narrow ranges; 65% to 70% when sale cost and developer profit are considered and 95% to 100% when sale cost and developer profit are not considered.

In the final analysis, several factors were considered including statistical inference, the implied degree of uncertainty inherent to the analysis of real estate markets, the desire that if there be any error it be on the side of conservatism, and the oft demonstrated general market's shown preference for "round" numbers.

Therefore based on the study made and the above comments, the opinion has been formed that the appropriate ratios for the Land/Site Residual Contribution are as follows:

With Sale Cost & Developer Profit Taken Into Account – 67.5%

Without Sale Cost & Developer Profit Taken Into Account – 97.5%

It would follow, then that the formulae for calculation of Total Construction Cost would be as follows:

With Sale Cost & Developer Profit Taken Into Account:

$$\text{Construction Cost} + (\text{Const. Cost} \times 67.5\%) = \text{Total Construction Cost}$$

Without Sale Cost & Developer Profit Taken Into Account:

$$\text{Construction Cost} + (\text{Const. Cost} \times 97.5\%) = \text{Total Construction Cost}$$

ADDENDA

PROFESSIONAL QUALIFICATIONS

General

The firm of Hammock, Arnold, Smith & Company was established in 1972. The offices of the practice are located at 215 West Figueroa Street in Santa Barbara, California. Over the years, the firm has grown to be regarded as a regional leader in the field of real estate evaluation and valuation.

Scope of Services

Hammock, Arnold, Smith & Company is a professional practice offering services in the following areas of specialization:

Residential

Analysis and valuation of existing and proposed single family dwellings, estates, apartment buildings, condominiums, multi-unit projects, mobile home parks, etc.

Commercial

Analysis and valuation of existing and proposed retail store buildings, office buildings, strip commercial, shopping centers, motels, hotels, restaurants, etc.

Industrial

Analysis and valuation of existing and proposed warehouses, shop buildings, light industrial buildings, industrial parks, mini-storage facilities, etc.

Agriculture

Analysis and valuation of cattle and horse ranches, row crop, orchards, vineyards, nurseries, etc.

Unimproved Land

Analysis and valuation of residential, commercial, industrial, multi-purpose sites, and rural acreage.

Special Purpose

Analysis and valuation of leasehold and leased fee interests, mixed-use properties, historic properties, fractional interests, conservation easements, etc.

Evaluation Studies

Acquisition and disposition consultations, marketing studies, feasibility analysis, highest and best use studies, reproduction and replacement cost studies, litigation consultation, lease negotiations, etc.

Partial List of Clients

A partial list of clients of Hammock, Arnold, Smith & Company, past and present, is as follows:

Attorneys:

Stanley W. Abbott	Patricia K. Jasper
Allen & Kimbell	Laskin & Graham
John W. Ambrecht	McCarthy & Kroes
Thomas P. Anderle	Merrill Dean
Angle, Carlson, Goldrick & Roberts	Michaelson, Susi & Michaelson
Collison & Collison	Mullen & Henzell
James F. Cote	O'Melveny & Meyers
Robert F. Egenolf	Price, Postel & Parma
Fell, Marking, Abkin & Montgomery	Reetz, Fox & Barlett
John Gherini	Reicker, Clough, et al
Gibson, Dunn & Crutcher	Rogers & Sheffield
Griffith & Thornburgh	Seed, Mackall LLP
Grokenberger & Smith	Sullivan, Workman & Dee
Derek Westen	Elizabeth Vogt
Hatch & Parent	Zilinskas & Jacobs
Hollister & Brace	
Jarvis, Hartloff & Simon	

Corporate:

AGIA	McDonald's
ARCO	MCR Technology
Astro Aerospace Corp.	Oceaneering International
Bechtel	Raytheon
Bixby Ranch Company	Southern California Edison Company
Carrows Restaurants	Southern California Gas Company
Chevron Land Co.	UP/SP Railroad Company
Columbia Broadcasting Systems	State Farm Insurance
Cox Communications	Texaco
East Valley Ranch Company	3-M Company
Environmental Golf	Union Oil Company
General Motors	Valley Improvement Company
Goleta Land Company	Venoco
Lawyers Title	Xerox

Financial:

Allstate Financial Services	JP Morgan Chase
Bank of America	Founders Community Bank
Bank of the West	Keystone Mortgage
Business First National Bank	La Jolla Bank
Citibank	Los Padres Bank

Citizens Business Bank
City National Bank
Commercial Capital Bank
Deutsch Bank
First Bank & Trust
First Republic Bank
GMAC
John Hancock Life

Mid State Bank
Montecito Bank & Trust
Northern Trust of California
Santa Barbara Bank & Trust
Teacher's Insurance & Annuity Assn.
Tokai Bank
Wells Fargo Bank

Governmental:

California State Department
of Parks & Recreation
Carpinteria County Water District
Carpinteria Unified School District
City of Carpinteria
Federal Aviation Agency
Goleta School District
Goleta Water District
Internal Revenue Service
Isla Vista Recreation
& Parks District
La Cumbre Mutual Water Company
Public Guardian,
County of Santa Barbara

Santa Barbara, City and County
Santa Barbara Community Housing
Corporation
Santa Barbara School/
High School District
U.S. Department of Interior,
Water & Power Resources Div.
U.S. Forest Service
U.S. Postal Service
Veterans Administration

Other:

Allan J. Bordofsky, CPA
American Cancer Society
Bartlett, Pringle & Wolfe
Bermant Development Co.
Brooks Institute of Photography
County Lumber Company
Cottage Healthcare
Designworks
Devereaux Foundation
Dan Gainey
Howe Properties
James H. Franzen, CPA
Jarabin, Gaggs & Hunt
Garner & Tyler
Goleta Valley Community Hospital
Green Hills Software, Inc.
Investec
Jacor Communications
Peter Kaufman

Laventhol & Horwath
Morehart Land Company
Nasif & Hicks
Penfield & Smith
Roman Catholic Church,
Los Angeles Archdiocese
St. Vincent's School
San Ysidro Ranch
Santa Barbara County Land Trust
Sansum - Santa Barbara Medical
Foundation Clinic
Santa Barbara Trust for
Historic Preservation
Serena Construction & Development
The Towbes Group
Tynan Group
University of California
Yardi Systems

MICHAEL NEAL ARNOLD, MAI, MRICS

Professional Experience

1976 to Present: Partner; Hammock, Arnold, Smith & Company
8/75 – 3/76: Associate; Pickthorn Appraisal, San Bruno, CA
2/75 – 8/75: Appraiser; Madera County Assessor's Office, Madera, CA
1/74 – 1/75: Appraiser; Robert W. Raymond, MAI, Santa Barbara, CA

Education

University of California, Santa Barbara: Bachelor of Arts Degree
Geography major with emphasis on Urban and Regional Analysis
American Institute of Real Estate Appraisers;
Various courses and seminars
American Society Farm Managers & Rural Appraisers:
Rural Appraisal School, (University of California, Davis)
Society of Real Estate Appraisers:
Various courses and seminars
Appraisal Institute:
Various courses and seminars
Continuing attendance at various courses and seminars sponsored by professional organizations and educational institutes in real estate.

Professional Activities (Past & Present)

Appraisal Institute:
National Level:
Instructor, General Applications, Advanced Applications, Standards of Professional Practice
Grader, Demonstration Appraisal Reports
Panel Member, Regional Ethics and Counseling Committee
Committee Member, Political Action Committee
Chapter Level:
President
Board of Directors
Committee Member, Membership (Chair)
Committee Member, Admissions
Committee Member, Education (Chair)
Committee Member, Newsletter (Chair)
Designated Instructor, "Real Estate Appraisal", University of California
Instructor, "Real Estate Appraisal", Santa Barbara City College
Speaker, various organizations
Real Estate, Escrow and Insurance Advisory Committee, Santa Barbara City College
Continuing Education Advisory Council, Santa Barbara City College

Membership & Certification

MAI Certificate No. 6802, Appraisal Institute
MRICS No. 1238128, Royal Institution of Chartered Surveyors
Charter Member, Santa Barbara Council of Real Estate Appraisers
Certified General Real Estate Appraiser, No. AG002089, State of California
Lifetime Teaching Credential, No. 203639, The California Community Colleges

VALUE

Hammock, Arnold, Smith & Company is a professional practice providing research, advice, and supported opinion regarding matters pertaining to the use and economics of real estate. The partners in the firm have years of experience working with individuals, businesses, and professionals in the community. The focus of our work is value, but often the concept is broader in application. Services that we provide to better serve our clients include:

PROBATE & ESTATE PLANNING

We regularly work with attorneys, accountants, and executors in valuing real estate assets. We are familiar with estate taxes and have also worked with Probate Referees.

LEASE AND RENT NEGOTIATION AND ARBITRATION

We often are asked to assist in establishing market rent and settling rent disputes. We are also familiar with current lease terms and regularly conduct rent surveys.

LITIGATION SUPPORT

We review appraisal reports, consider alternative courses, and help in framing the central valuation issues to be addressed. Further, we work with attorneys in preparation for cross examination of other witnesses.

PARTIAL AND FRACTIONAL INTERESTS

We are familiar with the concepts involved in discounts for fractional or partial interests. We often are asked to help in the determination of the size of the interest so as to maximize the benefits.

EXPERT WITNESS

Testifying in court is probably the most visible activity of appraisers relating to legal matters. Our partners are known in the local courts for their objective and supportable opinions.

LOT LINE & EASEMENT DISPUTES

Often property owners are involved with neighbors in disputes over parcel boundaries and easements. Experienced valuation can provide the vehicle for solution of the issue.

CONDEMNATION PROCEEDINGS

Eminent Domain is a special area of the law. It is equally a special area of property valuation. Our partners are experienced in the subtleties of condemnation valuations.

FRAUD

In this era of full disclosure in real estate sales contracts, failure to disclose can result in litigation. We are familiar with the concepts in damage measurement and have experience with this type of valuation.

PORTFOLIO REVIEW & MANAGEMENT

We provide council to individuals, non-profits, and businesses regarding real estate assets. We assist in answering questions regarding holding, leasing, selling, buying, and changing use.

Hammock, Arnold, Smith & Company is a long established local firm with expertise in virtually all forms of real estate from single family residences to large commercial properties. We also have extensive experience in special purpose, unusual, leasehold, leased fee, and non-urban properties. For over thirty years we have built our reputation on knowledge, experience, integrity, and professionalism. One partner is a member (MRICS) of the Royal Institution of Chartered Surveyors. All the partners in our firm are MAI certified by the Appraisal Institute and General certified by the State of California.

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