



## City Council Agenda Item

**City Council Meeting Date:** May 2, 2023

**TO:** Dean Albro, City Manager

**FROM:** Christie Alarcon, Community Development Director  
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Brian Halvorson, Planning Manager  
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**SUBJECT:** Introduction of Ordinance No. 1703(23) Amending Lompoc Municipal Code Section 17.324.040 to Create an Additional Option for the Timing of Payment of Affordable Housing In-Lieu Fees by Developers (TA 23-02)

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### **Recommendation:**

The Planning Commission recommends the City Council introduce, for first reading by title only with further reading waived, Ordinance No. 1703(23) amending Lompoc Municipal Code Section 17.324.040 to add an additional option for the timing of payment of affordable housing in-lieu fees by developers (Attachment 1).

### **Background:**

The City Council recently approved amendments to the inclusionary housing ordinance in September 2022. Those amendments included adopting a new mechanism for calculating the affordable housing in-lieu fee and revised the Lompoc Affordable Housing Trust Fund Program Implementation Plan to establish a formula for calculation of the maximum assistance amount where the in-lieu fee is equal to the maximum assistance available under the Homebuyer Assistance Program. In addition, that recent amendment limited the use of the Housing Trust Fund to the Homebuyer Assistance Program. On April 12, 2023, the Planning Commission reviewed the current and proposed changes to the Inclusionary Housing Ordinance and recommended approval of the amendments (Attachments 2 and 3).

### **Discussion:**

Based on previous amendments to the inclusionary housing ordinance and market conditions, the Planning Commission recommends adding an additional option for the timing of when the payment of in-lieu fees can be made by developers.

Developers can currently pay in-lieu fees in one lump sum prior to issuance of any building permits, or on a pro-rata basis where the in-lieu fees for affordable units must be paid in proportion to how many building permits have been issued, which means the fees do not have to be paid all at once if the building permits are not issued all at once. Under the first option, the amount of the fee is determined at the time of payment. Under the second option, the amount of the fee is also based on the fee at the time of each payment. However, since fees are paid incrementally, that means that the total in lieu fee payment could change (and likely increase) over time.

The Planning Commission recommends providing a third option, as follows:

Developer may lock in the per-unit in-lieu fee at the amount of the fee at the time of first payment by paying twenty-five percent of the total in-lieu fee at any time between approval of the project and issuance of the first Building Permit for a residential unit in the development and then paying the remainder of the in-lieu fees as follows:

After making the first payment, the developer shall then be required to pay the in-lieu fee for one inclusionary unit for every ten Building Permits issued for residential units for developments outside of the Old Town Redevelopment Project, Amendment No. 2 Area, or for every six Building Permits issued for residential units for developments in the Old Town Redevelopment Project, Amendment No. 2 Area (Attachment 3), unless such amount has already been paid as provided in the following paragraph.

For three years following the first payment, on the anniversary of the first payment, and regardless of the number of Building Permits that have been issued, the developer shall make additional fee payments, as necessary, such that on the first anniversary the developer shall have paid at least fifty percent of the total in-lieu fee, on the second anniversary the developer shall have paid at least seventy-five percent of the total in-lieu fee, and on the third anniversary the developer shall have paid one hundred percent of the total in-lieu fee. If the developer fails to maintain a payment balance in accordance with the previous sentence, then the amount of the in-lieu fee shall no longer be locked in and developer shall thereafter make payments in accordance with Subsection A.1.c(ii).

An example of the new proposed payment option is described below:

Per-unit in-lieu fee = \$100/affordable unit  
Project has 100 units  
10 units are required to be affordable  
Total in-lieu fee due, if paid now, is \$1,000.

Developer pays \$250 on May 1, 2023. This locks in the per-unit in-lieu fee.

Developer must have paid a total of at least \$500 on May 1, 2024, at least \$750 on May 1, 2025, and \$1,000 on May 1, 2026.

Those are minimum payments. If the pro-rata formula would require the developer to pay more than these milestone payments, or to pay earlier than the milestone dates, then the developer must pay the higher amount and/or pay on the earlier date.

As shown, this option will allow developers to lock in the fee amount without having to pay the full amount of the fee up front. However, it also ensures that the City will receive the full payment of fees within three years from the first payment. This amendment could accelerate the construction of projects that are currently under review by providing more options for developers to meet inclusionary housing requirements. The full text of the proposed code amendments including underlining (additions) and strikeouts (deletions) are shown in the attached ordinance.

#### *Conformance with 2030 General Plan & Zoning Code*

The proposed amendments to the Inclusionary Housing Ordinance are internally consistent with the goals, policies and measures contained within the 2030 General Plan and the existing Inclusionary Housing Ordinance of the Zoning Code as a whole.

#### Environmental Determination:

The adoption of the proposed ordinance is not subject to environmental review under the California Environmental Quality Act (CEQA) because it can be seen with certainty that the adoption of this ordinance does not have the potential for causing a significant effect on the environment. (CEQA Guidelines Section 15061(b)(3).)

#### Fiscal Impact:

The processing of this code text amendment was initiated by staff and costs were therefore covered by existing staff resources.

**Conclusion:**

Adopting Ordinance No. 1703(23) would provide an additional option for paying in-lieu housing fees by locking in a fee amount without the need to pay the full amount of the fee up front while ensuring that the City will receive the full payment of in-lieu fees within three years from the first payment.

Respectfully submitted,

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Brian Halvorson, Planning Manager

**APPROVED FOR SUBMITTAL TO THE CITY MANAGER:**

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Christie Alarcon, Community Development Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

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Dean Albro, City Manager

- Attachments: 1) Ordinance No. 1703(23)  
2) Planning Commission Resolution No. 980 (23)  
3) Project Redevelopment Areas