

3/28/2024

Chair Martinez and Planning Commissioners
Santa Barbara County Planning Commission
123 East Anapamu Street
Santa Barbara, CA, 93101

RE: 2023-31 Housing Element Rezone Amendments

Dear Chair Martinez and Planning Commissioners:

The Santa Barbara South Coast Chamber of Commerce continues to prioritize workforce housing solutions as one of our central pillars due to the impact the local housing supply crisis has on our local businesses and economy. That is why we are continuing our work on the Employer Sponsored Housing Consortium program. The Consortium will allow multiple employers to enter a partnership under an LLC for the purpose of acquiring or master leasing property which they can provide to local employees. The Consortium LLC will then manage the relationship between the employers, employees, and property owners, reducing the administrative burden for each party. All while ensuring that a portion of new housing projects that partner with a consortium goes to the local workforce.

The initial success of this program relies heavily on the successful rezoning of sites who have agreed to partner with the early Employer Sponsored Housing Consortium and put in the work required to do so. Once we have proof of concept with our initial partnerships, we expect that interest in this collaborative model will only continue to grow. Once our partner properties are rezoned, we can move forward with the creation of the administrative and legal entities needed to manage the relationships between the employers and properties.

As of now the Chamber has partnered with four of the projects under consideration for rezone, which presented at the County's South County workshop: Glen Annie, San Marcos Ranch, Homes at the Caird Family Property, and the Orchard Project (Giorgi). The Chamber is grateful to the Glen Annie team and owners, without whom we would not have gotten this far. The Glenn Annie project is acting as the Chamber's pilot program. They have worked with us since the beginning, providing critical details to employers on housing product estimates, furthering the discussions about the formation of the Consortium. We remain engaged with each of the previously named projects, each of which has demonstrated an interest and commitment to partnering with the Employer Sponsored Housing Consortium as we begin the formation process.

Throughout this process we have remained engaged with just over 20 local employers of varying sizes, the majority of which have expressed a desire to participate in the Employer Sponsored Housing Consortium. The employers we have been in discussion with represent approximately 26,000 local employees (just over 10% of the current Santa Barbara County labor force).

Additional details regarding the Employer Sponsored Housing Consortium are attached to this letter. In summary, the Employer Sponsored Housing Consortium is designed to provide employers with the ability to offer housing units to their employees based on their investment level. Employers have the autonomy to establish their own eligibility criteria and maximum occupancy durations, with the Chamber/Consortium providing best practices. The focus is on private employers, with a clear distinction made between private and public employers. The Chamber is responsible for overseeing and managing the consortium, including the recruitment of additional members. Two models of the consortium are currently being explored.

Under the Property Ownership Model, employers have the flexibility to set rent amounts, with tax benefits from residential property ownership apportioned to employer investors according to tax regulations. A third-party general partner, LLC, takes on all property and asset ownership responsibilities, including property maintenance.

In the Master Lease Model, the LLC enters into master lease agreements with property owners, while employees lease units from the LLC based on their employer's investment. Employers set rent amounts and are not responsible for property maintenance or operations. Changes to employer lease commitments are managed through the LLC, streamlining the process and avoiding individual negotiations with property owners.

We ask that you please support the formation of this statewide example of a workforce housing solution by supporting the rezones of our pilot project, Glen Annie, and our other partner projects San Marcos Ranch, Homes at the Caird Family Property, and the Orchard Project (Giorgi), and continue to prioritize workforce housing throughout Santa Barbara County.

Sincerely,



Kristen Miller
President & CEO
Santa Barbara South Coast Chamber of Commerce

South Coast Employer Sponsored Housing Consortium

Introduction:

Workforce Housing has been an important piece of the Chamber's advocacy for many years. The need for housing of various types, sizes, densities, and affordability levels for employees has been a top concern among local businesses. However, unfortunately, even when we see new housing projects built there is no guarantee for a particular employer that their employees will move into one of those units. That is why the Santa Barbara South Coast Chamber of Commerce is exploring an Employer Sponsored Housing Consortium which would allow employers to secure housing for their employees – guaranteeing that housing will go to our local workforce.

Details:

The Employer Sponsored Housing Consortium is a model where:

- Local employers enter a limited partnership structure for the purpose of developing or acquiring one or more residential rental properties. Or by master leasing a particular number of units from a local housing project, for employees to own and/or rent.
- Depending upon the investment level, each employer would hold the right to make a corresponding number of housing unit available to their employees.
- Each employer would establish their own eligibility criteria.
- Each employer retains the right to establish maximum occupancy duration.
- Under the property ownership model:
 - Though a minimum monthly rent would be required to operate the facility, each employer retains the flexibility to set the amount paid by the employee.
 - Tax benefits of residential property ownership inure to employer investors on a pro rata basis.
 - All property and asset ownership responsibilities are assigned to a third-party general partner.

Summary of Progress:

The Chamber has been actively working on creating an Employer Sponsored Housing Consortium that benefits local employers, developers, and governments, particularly the County. The ultimate goal being to ensure that new housing stock goes to the local workforce.

- Discussions began with Supervisor Capps, Supervisor Hartman, and County Planning on how the County could support the development of an employer-sponsored housing consortium to secure new housing for the local workforce.
- A meeting with County Planning and other South Coast government representatives focused on the County's role in helping to incentivize or support developer participation in an employer sponsored housing consortium program.
- Meetings with businesses interested in employer-sponsored housing revealed that many are eager to explore the consortium model further and are willing to return to discussions when there is a potential local project to partner with.
- The Chamber is exploring options and is in ongoing conversations with several upcoming housing development projects regarding a partnership with the Employer Sponsored Housing Consortium.

- A meeting with housing practitioners, including developers and housing-focused community organizations, aimed to gather feedback on desired incentives and concessions from the County, identify potential partners, and discuss the details of what an employer-sponsored housing consortium might look like from a housing project's perspective.
- The Chamber has participated in several related discussions, including a Coastal Housing Coalition meeting to discuss employer housing solutions.
- A meeting with representatives from the County and the Cities of Goleta and Santa Barbara focused on the likelihood of, and barriers associated with any incentives and concessions for housing projects that partner with a consortium.
- A larger meeting with employers shared a more detailed outline of the Employer Sponsored Housing Consortium program based on details provided by our pilot project.
 - Continued follow-up with employers persisted to ensure partner projects align with employer/workforce needs.
- Another meeting with housing practitioners discussed the County's rezoning process, community benefits criteria, gauged additional property owner and developer interest, and secured letters of interest.
- The Chamber continues to meet with property owners, developers, and other housing project partners to identify projects for the first Employer Sponsored Housing Consortium.

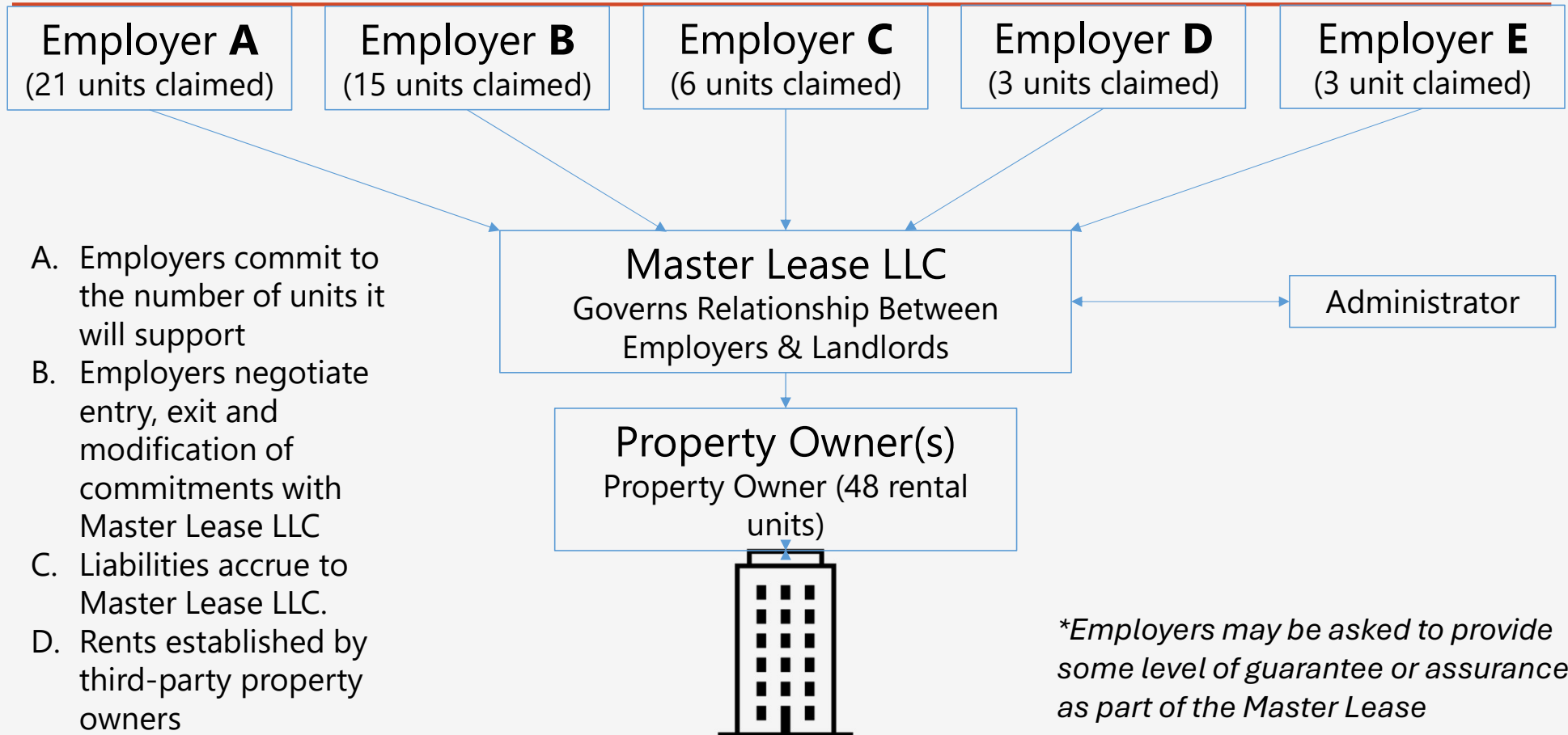
Next Steps:

- The Chamber continues to gather MOUs and/or letters of intent from employers looking to participate in the consortium, and housing projects looking to provide housing to the consortium.
- The Chamber will continue to engage in the County's rezoning process, demonstrating which potential sites have engaged with the Chamber.
- The Chamber will continue to engage with the County and other local jurisdictions on exploring incentives and concessions for property owners and developers that partner with an employer sponsored housing consortium, in order to secure the long-term viability of this project.
- Following rezones the Chamber will begin the foundational aspects for the creation of the administrative and legal entities needed to manage the consortium(s).

Master Lease Consortium

- A. Local employers form a limited liability company for the purpose of leasing units at one or more residential rental properties.
- B. Employers enter agreements with the LLC to establish the number of housing units available to their employees.
- C. Employees enter lease agreements with the LLC limited to the number of units made available by their employer.
- D. Each employer would establish their own employee eligibility and maximum occupancy duration criteria.
 - A. The Chamber will provide guidance on best practices and preferred policies.
- E. Though a minimum monthly rent would be required by the property owner, each employer retains the flexibility to set the amount actually paid by the employee. Any negative differential to be paid by the employer.
- F. Employers are not responsible for property maintenance or operations.
- G. Entry, exit and modification of employer lease commitments are resolved through the LLC, rather than individual negotiations with property owners.
- H. Chamber to oversee and manage the consortium's creation and administration. Chamber will assist with recruitment of additional members as needed.

Employer Rental Housing Master Lease Model



Property Ownership Consortium

- A. Local employers enter into a limited partnership structure for the purpose of acquiring one or more residential properties.
- B. Dependent upon the investment level, each employer would hold the right to make a corresponding number of housing unit available to their employees to purchase or rent.
- C. Each employer would establish their own eligibility and occupancy duration criteria.
 - A. Each employer will retain the right to establish their own employee eligibility and maximum occupancy duration criteria.
- D. Though a minimum monthly rent would be required to operate the facility, each employer retains the flexibility to set the amount paid by the employee.
- E. Tax benefits of residential property ownership inure to the limited partnership and apportioned to employer investors, subject to tax regulations.
- F. All property and asset ownership responsibilities are assigned to a third-party general partner.

Employer Workforce Housing Ownership Model

