



**TO:** Planning Commission Chair and Members

**SUBMITTED BY:** Peter Imhof, Planning and Environmental Review Director

**PREPARED BY:** Anne Wells, Advance Planning Manager  
Andy Newkirk, Supervising Planner  
Molly Cunningham, Assistant Planner

**SUBJECT:** Housing Priority for Goleta Residents and Employees  
(Implementation of Housing Element Subprogram HE 2.2(a))

**RECOMMENDATION:**

Receive a presentation on Housing Priority for Goleta Residents and Employees and provide recommendations on whether to consider expanding local housing priority to include market-rate units.

**BACKGROUND:**

The City adopted the Housing Element 2023-2031 on December 5, 2023, which was subsequently certified by the California Department of Housing & Community Development (HCD) on February 5, 2024. The Housing Element 2023-2031 includes goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. The Housing Element 2023-2031 contains an “Eight-Year Action Plan” that lays out the timeline for program implementation.

One of the Housing Element subprograms identified for implementation early in the Eight-Year Action Plan is subprogram HE 2.2(a) Linkage of Housing and Jobs, Housing Priority for Goleta Residents and Employees. Subprogram HE 2.2(a) states, “[t]o the extent permitted by law, the City will give persons working and/or residing in Goleta priority preference regarding available units, marketing, and selecting occupants for affordable and market-rate units, including rental and ownership units. The intent is to meet local housing needs consistent with the RHNA and contribute to mitigation of traffic, economic development, and community safety conditions.”

The City’s Affordable Housing Policies & Procedures Manual (Manual) has a local preference requirement for certain below market-rate (BMR) (sometimes referred to as “affordable”) housing units, consistent with the City’s Housing Element 2015-2023 local

priority program. This local preference requirement provides a preference for local employees or residents during the housing application process for the initial sale or lease, as well as re-rentals, of BMR housing units. These BMR housing units can be created through the application of the City's inclusionary housing requirements, State Density Bonus Law, City financial subsidy, or other mechanisms that constitute public assistance or incentives. The local preference requirement provides a benefit to households with at least one member who works in the City of Goleta<sup>1</sup> or who currently resides on the South Coast of Santa Barbara County (from the County line near Carpinteria to the tunnel at Gaviota). The City Council oversees and approved the Manual, which is managed and implemented by the City's Planning and Environmental Review Department Senior Housing Analyst.

However, the City currently has no local preference requirement for market-rate units built within the City. As such, to implement subprogram HE 2.2(a), City staff sought insight into the possibility of extending the existing local preference requirement to include market-rate units. The City contracted with Bay Area Economics (BAE), for this purpose. As part of the contract, BAE, with the assistance of the City's Housing Element consultant Veronica Tam and Associates (project team), was tasked with preparing a memo to provide information on potential options to consider that would enable the City to expand the existing local preference program to include housing priority to workers and residents in Goleta with specific consideration for local preference regulations and/or incentives for market-rate units.

The project team compiled findings into a "Considerations for Implementing a Housing Priority Policy for Goleta Residents and Employees Memo (HE Program 2.2a)" (Memo), provided as Attachment 1. The information provided in the Memo is detailed below.

## DISCUSSION:

The Discussion below summarizes the Memo, with a specific emphasis on the recommendations provided. The sections of the Memo include:

- **Introduction.** This section provides an explanation of Housing Element subprogram HE 2.2(a): Housing Priority for Goleta Residents and Employees. This section also explains the purpose of the Memo to explore the feasibility of expanding the City's existing priority preference program to market-rate units.
- **What is "Local Preference"?** This section describes the City's and the State of California's definition and requirements for local preference. The Memo notes that the City's local preference requirement provides a preference for local employees or residents during the housing application process for the initial sale or lease, as well as re-rental, of BMR units. The Memo references California Government Code Section 7061. This provision of State law allows for local tenant preference in

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<sup>1</sup> Defined as owning or operating a business located within the City of Goleta, employment for wages or salary for an employer located within the City of Goleta, contract employment where the actual work is conducted within the City of Goleta, or commission work where the applicant's principal location from which they work is located within the City of Goleta, for an average of at least 20 hours per week.

housing for (1) lower income households that are subject to displacement risk within affordable housing projects, provided the policy is applied in a manner consistent with state and federal fair housing laws and (2) affordable housing developed and financed with low-income housing tax credit and tax-exempt private activity bonds, per tax code.

- **Existing Local Preference Policy in Goleta.** This section outlines the existing priority preference in Section III.E of the City's Affordable Housing Policies & Procedures Manual (as also summarized above in the Background). The Manual provides a preference during the application process for local employees or local residents for the initial sale or lease, as well as re-rentals, of BMR units. Applicants must meet lower income requirements to ensure that the benefit of the program prioritizes Goleta's lower income qualifying residents and employees.
- **Local Preference Case Studies in Other Jurisdictions.** This section notes that federal fair housing laws, such as the Fair Housing Act, prohibit policies like local preference policies or requirements, if they have a disparate impact on protected classes, even if they do not explicitly discriminate. The section then follows with two examples, from Pasadena and Berkeley, of challenges with crafting local preference policies (for BMR units).

Pasadena's Local Preference and Priority System Guidelines determined an order in which eligible applicants would receive priority to rent or purchase available BMR units. The main objective of Pasadena's local preference policy was to reverse the trend of displacement and to facilitate aging in community for seniors. HCD required Pasadena to demonstrate that this policy did not have a "disparate impact" on the protected classes of the region. Multiple meetings with HCD and revisions were required to provide analysis on the impact and effectiveness of the policy to receive HCD approval, including data on the demographics of the residents who received priority status.

In Berkeley, the City adopted a list of housing preferences to prioritize affordable housing applicants for the City's BMR units and nonprofit affordable units supported by the City's Housing Trust Fund. This action was taken after the city conducted a Disparate Impact Analysis. This analysis assessed how racial groups and other protected classes would be impacted by a preference policy and determined what percentage of units can receive preferences without creating disparate impacts on protected classes under state or federal law.

- **Legal and Other Considerations.** This section further discusses legal issues surrounding local preference requirements. The project team found that local preference policies typically spark a debate on fair housing issues, including whether the preference will conflict with the constitutional right to travel, which protects people from discrimination based on residency status with respect to "essential activities" and/or "fundamental rights." Another consideration is that any expanded local preference policy would need not to have an exclusionary effect on people who are not local or do not work in the community. Assembly Bill 686

(2018), regarding affirmatively furthering fair housing, obligates local jurisdictions to promote housing diversity and mobility. Additionally, a local preference policy can be considered by HCD as perpetuating the local demographics rather than offering housing mobility to a diverse population. For jurisdictions that are considered “exclusive” due to current available housing types (primarily single-family homes), housing prices, and demographics (majority White and higher incomes), HCD has consistently required outreach for the availability of housing opportunities to expand beyond the City limits in order to reach a more diverse pool of potential residents. The Memo notes that a preference policy that focuses on existing residents may conflict with this goal, as Goleta generally fits HCD’s perception of an exclusive community.

- **Recommendations for the City of Goleta.** This section includes the project team’s recommendations, three in total, for the City to consider. These are discussed in more detail below.

### *Memo Recommendations*

The Memo includes three recommendations for the City, including:

1. Do Not Extend the City’s Local Preference Program to Market-Rate Units at Present.

The Memo recommends that the City not extend the local preference program to include market-rate units, and instead recommends the City continue to implement its existing policy of giving priority preference to local residents and workers for available BMR units. The reasoning for this recommendation is that no other jurisdiction in California has included market-rate units in its local preference policy, which means Goleta would be the first. The project team also believes that expanding the existing BMR program may risk violating State and federal fair housing laws. This risk exists because State laws make an exception for BMR units to be included in local preference programs, but these exceptions do not extend to market-rate units.

The Memo suggests that, should the City seek to expand the existing local preference program, the City should commission a Disparate Impact Study, similar to the study completed in Berkeley, mentioned above. A Disparate Impact Study would potentially allow the City to extend the scope of its local preference targets, but only if no disparate impact on protected classes were found. Of note, Goleta’s existing local preference program did not include a Disparate Impact Study during the development of the program.

2. Track Local Preference Expansion Efforts Elsewhere in Santa Barbara County

The Memo also recommends tracking and monitoring other local efforts to expand BMR local preference to market-rate units. Specifically, the Memo highlights the County of Santa Barbara’s adopted Housing Element Program 21, which directs the County to study the feasibility of developing a local preference program that prioritizes people who live and/or work within Santa Barbara County to rent or purchase affordable and upper

moderate-income housing units. As part of this program, the City will also review options to incentivize private developers to implement a local preference program for non-subsidized housing projects.

### 3. Monitor and Support Other Partners to Incentivize Local Preference Opportunities

Finally, the Memo suggests the City may consider monitoring and supporting organizations such as the Santa Barbara South Coast Chamber of Commerce, which are working with local partners and the private sector to identify strategies for directing housing opportunities to the local workforce. Such efforts include a local employer-sponsored housing consortium, a workforce housing marketplace, and a workforce housing incentive program. The Memo notes that these strategies to incentivize local preference would be driven largely by the private and non-governmental sectors, but that they nonetheless share significant overlap with the City's policy of expanding housing opportunities to local workers and residents.

### ***Staff Recommendation in Response to the Memo***

City staff supports the three recommendations provided for in the Memo and seeks concurrence from the Planning Commission to (1) continue to implement the City's existing local preference requirements for BMR units and not expand the requirements to market-rate units, (2) follow the County of Santa Barbara's efforts to implement their Housing Element Program 21, and (3) track other efforts to support employee and local housing options.

Staff's support for Recommendation 1 is based on several factors. These include issues noted in the Memo related to uncertainties in such a market-rate unit program and potential legal concerns, the fact that there are no existing market-rate programs to assess and learn from, and because State laws make an exception for BMR units in local preference programs but do not extend these exceptions to market-rate units.

To move forward, the City would need to identify the contours of a local preference requirements for market-rate units. This task would include identifying what percent of market-rate units would be included in a local preference (options could include 20%, like the City's inclusionary requirement, or all market-rate units) and what the City would consider a "local preference" for market-rate units (if at all different than the current requirements for BMR units). Once the contours were identified, the City would then need to analyze the proposed requirements for potential disparate impacts, compliance with federal and State fair housing laws and constitutional protections, and the administrative and cost-benefit implications to implement such requirements.

The City would also need to identify how a local preference requirement could apply to a market-rate transaction. For BMR units, the maximum sale or rental price is fixed. However, in a market-rate transaction, the seller/lessor can take the best offer they are able to secure. If that best offer is from a non-local purchaser/lessee, there is no established process for how the City could then require the seller/lessor to select a local purchaser/lessee, who would then not reflect the market-rate. Rental units may provide

greater opportunity for a market-rate local preference program but these details would need to be fleshed out. Identifying the types of qualifying units, such as new development and / or existing housing stock, redevelopment, rental and / or ownership would also need to be assessed. Administration of such a program, such a marketing plan and lottery similar to the existing BMP local preference program, would need to be outlined.

The City would also need to understand the oversight commitment needed to implement the requirements and determine what additional staffing would be required. These staffing needs would need to be analyzed within the context of the entire City budget.

Based on these considerations, staff also supports Recommendations 2 and 3. These actions would allow the City to better understand different options and challenges before embarking on an unknown process. If there is interest, City staff proposes returning to the Planning Commission in two years to provide an update on these two recommendations.

The County Housing Element Program 21 specifically seeks to develop a local preference requirement for units produced through a subsidy from the County or through the County's inclusionary requirements but also includes options to incentivize private developers to implement a local preference program for non-subsidized housing projects. The County has a department devoted to housing and community development and City staff expect that with the County's extensive resources, important lessons and best practices could be learned from the County's experience in implementing Program 21. Program 21 is identified in the County's Housing Element for implementation by June 2025, so it is expected that City staff could include lessons learned when returning to Planning Commission in two years for the above-mentioned update on this topic.

Similarly, the City will continue to track the Santa Barbara South Coast Chamber of Commerce's efforts to establish an employer sponsored housing consortium (including in Recommendation 3). In brief, an employer-sponsored housing consortium is a model where local employers enter a limited partnership structure for the purpose of either developing or acquiring one or more residential rental properties, for employees to own and/or rent or by master leasing a particular number of units from a local housing project, for employees to rent. Based on the City's understanding of this program, it supports a housing consortium model for local employers/employees irrespective of income. The City has tracked this effort in the past, including attending a workshop on the topic on July 24, 2024. Allowing more time for the City to see how this Chamber initiative develops could provide significant benefit. With more time, the City can better understand how such a program might work, whether and how the City could leverage resources to support such a program, and whether such a private effort may provide greater benefit than a City-operated local preference program for market-rate units.

City staff seeks concurrence from the Planning Commission regarding the approach to implementing the Memo recommendations. Following Planning Commission review, City staff will also provide the staff and Planning Commission's recommendations to Council. If the Planning Commission instead recommends further pursuit of a City policy for local preference for market-rate units at present, Planning and Environmental Review Department staff seek to (1) identify the contours of such a requirement and (2) analyze

the legal and administrative challenges associated with such a requirement. Any future amendments to incorporate a market-rate local preference into the existing Affordable Housing Policies and Procedures Manual and any necessary Title 17 amendments would return to Planning Commission at a public hearing to consider a recommendation to City Council. Any potential Affordable Housing Policy and Procedures Manual revisions and Title 17 amendments would then be considered by the City Council at a public hearing.

**FISCAL IMPACTS:**

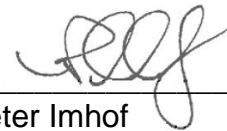
The fiscal impacts related to this Memo are included under the budget allocated for the BAE agreement, with a not-to-exceed amount of \$66,100 for the agreement. Funds for the agreement are available in the Fiscal Year 2024/25 budget in General Ledger Account #101-40-4300-51200 (Professional Services) and #101-40-4300-51207 (Professional Services – Zoning Code).

Legal Review By:



Winnie Cai  
Assistant City Attorney

Approved By:



Peter Imhof  
Director of Planning and  
Environmental Review

**ATTACHMENTS:**

1. Considerations for Implementing an Expanded Housing Priority Policy for Goleta Residents and Employees (HE Program 2.2a) Memo (BAE Urban Economics and Veronica Tam Associates (VTA), January 2025)
2. Staff Presentation

## **Attachment 1**

**Considerations for Implementing an Expanded Housing Priority  
Policy for Goleta Residents and Employees (HE Program 2.2a) Memo  
(BAE Urban Economics and Veronica Tam Associates (VTA), January  
2025)**



## Memorandum

**To:** City of Goleta

**From:** BAE Urban Economics and Veronica Tam Associates (VTA)

**Date:** January 2025

**Re:** Considerations for Implementing an Expanded Housing Priority Policy for Goleta Residents and Employees (HE Program 2.2a)

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### Introduction

The following Memo is intended to provide the City of Goleta with insights and recommendations as it considers implementing **Housing Element Program 2.2(a): Housing Priority for Goleta Residents and Employees**. This Program, as outlined in the City's Sixth Cycle Housing Element, reads as follows:

*"To the extent permitted by law, the City will give persons working and/or residing in Goleta priority preference regarding available units, marketing, and selecting occupants for affordable and market-rate units, including rental and ownership units. The intent is to meet local housing needs consistent with the RHNA and contribute to mitigation of traffic, economic development, and community safety conditions."*

Per Section III.E of the City's Affordable Housing Policies & Procedures Manual (AHPP), the City of Goleta already gives priority preference to local residents and workers regarding available units for below market-rate (BMR) units.

As such, this Memo explores the feasibility of expanding the City's existing priority preference policy to market-rate units as well, consistent with the program considerations outlined above.

### What is "Local Preference"?

The City's existing "Local Preference" requirement provides a preference for local employees or residents during the housing application process for the initial sale or lease, as well as rentals, of BMR units.

In the State of California, priority preference (also known as "Tenant Preference" or "Local Preference") can be granted based on a number of circumstances, including college

admissions, government purchase orders, and housing. Local Preference for housing units in the State of California is regulated by California Gov't Code 7061, which allows the establishment of local preference policies subject to the following circumstances:

- Local tenant preferences applied to lower income households that are subject to displacement risk within affordable housing projects, provided the policy is applied in a manner consistent with state and federal fair housing laws.
- Local tenant preference policies applied to affordable housing developed and financed with low-income housing tax credit (LIHTCs) and tax-exempt private activity bonds, per tax code. Internal Revenue Service code requires that LIHTC developments are available for “public use,” but preferences are permitted for members of a specified group under a state program or policy that supports housing for that group (26 U.S.C. Section 42(g)(9)).<sup>1</sup>

## Existing “Local Preference” Policy in Goleta

The City of Goleta already gives priority preference to local residents and workers for below market-rate (BMR) units. Below Market Rate (BMR) housing units in the City can be created via the Inclusionary Housing program, Density Bonus Law, City financial subsidy, or other mechanisms that constitute public assistance or incentives (e.g., waiver of development standards).<sup>2</sup> In other words, this excludes affordable units created without City participation.

More specifically, the City’s current Local Preference Requirement provides a benefit to households with at least one member who works in the City of Goleta<sup>3</sup> or who currently resides on the South Coast of Santa Barbara County (from the county line near Carpinteria to the tunnel at Gaviota).

The Policy provides a preference during the application process for local employees or local residents for the initial sale or lease, as well as re-rentals, of BMR units. A developer may propose additional housing-preference categories, but they must be included in the Marketing Plan and, if applicable, Tenant Selection Plan for the project and approved in writing by City staff.

To comply with the City’s Local Preference Requirement, an initial application period of ten (10) business days must be reserved for applicant households claiming to meet the applicable

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<sup>1</sup> <https://www.hcd.ca.gov/planning-and-community-development/affirmatively-furthering-fair-housing/tenant-preference-policies>

<sup>2</sup> see AHPP Section II-A for additional details.

<sup>3</sup> Defined as owning or operating a business located within the City of Goleta, employment for wages or salary for an employer located within the City of Goleta, contract employment where the actual work is conducted within the City of Goleta, or commission work where the applicant's principal location from which they work is located within the City of Goleta, for an average of at least 20 hours per week.

income requirements and Local Preference requirement. If all applications received during that ten-day period are reviewed for eligibility, and none of the applicant households meet the minimum qualifications, and the unit remains available, then applications can be considered from households who do not meet the Local Preference requirement.

## **Local Preference Case Studies in Other Jurisdictions**

Federal fair housing laws such as the Fair Housing Act (FHA) prohibit policies that have a disparate impact on protected classes, even if they do not explicitly discriminate, to make sure that any new or updated policies such as this Housing Preference Policy would not result in unintentional discriminatory practices. The following section includes case studies from jurisdictions in California that have updated and expanded their existing preference policies that apply to BMR units.

### ***Pasadena***

Pasadena's Local Preference and Priority System Guidelines ("Local Preference Guidelines") were adopted by the Pasadena City Council in 2006 to determine the order in which eligible applicants would receive priority to rent or purchase available BMR units, including units developed with City subsidy and units created under the Inclusionary Housing Ordinance. Under the 2006 Ordinance, applicants who live and work in the City received the highest priority, followed by applicants who live in the City, those who work in the City, and those who were involuntarily displaced from Pasadena by government action, improper termination of tenancy, domestic violence, participation in the Witness Protection program, hate crimes, inaccessibility issues or substandard housing, and homelessness. All other applicants are considered after those who meet the priority category criteria.

However, there was increasing recognition among policy makers, stakeholders, and housing advocates that these 2006 local preference policies, while perhaps successful in achieving their stated purposes, did not address the impacts of housing displacement created by high housing costs and gentrification. In 2021, the City adopted changes to the Local Preference Ordinance which created a new priority category (Over-Housed Priority) and a new set-aside. Over-Housed Priority, which is an uncapped priority category that gives preference to residents of deed restricted affordable housing units in Pasadena who are currently considered over-housed (e.g., a single-person household residing in a three-bedroom unit). This new "Over-Housed" priority is intended to address inefficiencies in the match between household size and unit size (which occur over time as dependents in larger households move out) and will allow such households the opportunity to move to smaller units and pay a lower rent, while freeing up larger units for larger eligible households.

The "Former Resident Set-Aside" category creates an additional set-aside of up to 20 percent of BMR units to be available to former Pasadena residents. This modification is meant to provide households who were unable to remain in Pasadena, whether due to rising housing costs or gentrification, with the opportunity to return to the City. This set-aside applies to

developments with five or more affordable housing units. Under the set-aside, up to 20 percent of the BMR units would be available to households who can demonstrate that they had maintained a primary residence in Pasadena sometime in the five years prior to their application for available housing. In addition, to be eligible for this set-aside, a household must have maintained a primary residence in Pasadena for at least two years. Within this set-aside, households will receive priority based on length of tenure in Pasadena. This means, for example, that a household who had lived in Pasadena for five years prior to application would receive priority over a household who had lived in Pasadena for two years during the same time period. The table below summarizes Pasadena's new local preference categories.

**Pasadena Local Preference Categories for BMR Units (2021)**

<b>Set-Aside</b>	
First	Former Resident Set-Aside (capped at 20 percent)
<b>Priority</b>	
First	Over-Housed Priority
Second	Resides and works in Pasadena
Third	Resides (but does not work) in Pasadena
Fourth	Works (but does not reside) in Pasadena
Fifth	Involuntarily displaced from Pasadena
Sixth	All other applicants

The Pasadena local preference policy has two specific objectives: 1) to reverse the trend of displacement and 2) to facilitate aging in community for seniors. High rents in Pasadena have displaced many Pasadena tenants to other communities. Displacement disproportionately affects lower- and moderate-income residents (who are disproportionately comprised of minority persons). Therefore, the Pasadena preference policy reserves a small number of BMR units to allow income-eligible displaced residents the opportunity to move back to Pasadena. This policy aims to benefit those who have been impacted by displacement.

The second component of the policy provides preference to income-eligible seniors for small BMR units. Many seniors who desire to trade down the homes for smaller units have limited housing choices in the community due to the high costs of housing. Therefore, Pasadena has experienced a trend of seniors being displaced out of the community or even out of state. To allow low-income seniors to age in community, the City's policy provides preference to those income-eligible seniors who have sold their homes to relocate to smaller BMR units within Pasadena.

During the Housing Element certification process, the California Housing and Community Development Department (HCD) repeatedly required the City (and the consultant team) to demonstrate that the Local Preference Policy did not have a "disparate impact" on the protected classes in the region. Multiple meetings with HCD and revisions were required to provide analysis on the impact and effectiveness of the policy to receive HCD approval. Specifically, HCD requested data on the demographics of the residents who received priority

status and the inclusion of a housing program in the Housing Element to evaluate and revise the local preference policy to ensure compliance with SB 649.

### ***Berkeley***

In July 2023, the City of Berkeley adopted a list of housing preferences to prioritize affordable housing applicants for the City's BMR units and nonprofit affordable units supported by the City's Housing Trust Fund. The policy was adopted after conducting a Disparate Impact Analysis. This analysis assessed how racial groups and other protected classes would be impacted by a preference policy and determines what percentage of units can receive preferences without creating disparate impacts on protected classes under state or federal law. In fall 2023, this Disparate Impact Analysis was shared with California Department of Housing and Community Development (HCD), after which the city received HCD approval to apply the preference policy to BMR units.

The Berkeley Housing Preference Policy Goals and Outcomes are intended to do the following:

- To support individuals who were displaced from Berkeley and desire to return.
- To provide support for individuals who are currently experiencing housing insecurity in Berkeley.
- To acknowledge and address historical injustices, such as redlining and eminent domain to build BART stations.

To comply with the Department of Housing and Urban Development (HUD) regulations, the Fair Housing Act, and other state and federal laws, the City's Housing Preference Policy supports residents who:

- Were displaced or are descendants of someone who was displaced due to construction of BART in Berkeley in the 1960s and 1970s
- Were displaced due to foreclosure in Berkeley since 2005
- Were displaced due to no-fault or non-payment eviction in Berkeley within the past seven years
- Have households with children
- Live or formerly lived in Berkeley's redlined neighborhoods
- Are children or grandchildren of someone who lived in Berkeley's redlined neighborhoods
- Are homeless and not prioritized for local permanent supportive housing or are at-risk of homelessness with current/former address in Berkeley

### **Legal and Other Considerations**

Local preference policies typically only apply to inclusionary or publicly financed BMR units, not market-rate units. Local preference policies typically spark a debate on fair housing issues, including whether the preference will conflict with the constitutional right to travel. The right to travel is a fundamental right under the US Constitution. It protects people from discrimination

based on residency status with respect to “essential activities” and/or “fundamental rights.” Restraints on the right to travel must be shown to be “necessary to further a compelling state interest” to survive constitutional challenges. Durational residential requirements (how long has a person resided in the said community) are commonly held to be unconstitutional when they have a deterrent or penalizing effect on the right to travel.

In the housing context, it is unlawful to discriminate against any person because of the race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability/medical condition, veteran or military status, or genetic information of that person. These are considered “protected classes”.

Any expanded local preference policy would need to prove that the “preferred populations” in a community are similar in socioeconomic characteristics as those who reside in the region, demonstrating that the policy would not have a discriminatory or exclusionary effect on people who are not local or do not work in the community.

Assembly Bill 686 of 2018 regarding affirmatively furthering fair housing obligates local jurisdictions to promote housing diversity and mobility. A local preference policy can be considered by HCD as perpetuating the local demographics rather than offering housing mobility to a diverse population. This is particularly critical given that during the Housing Element certification process, HCD has consistently required communities to promote housing mobility. For jurisdictions that are considered “exclusive” due to current available housing types (primarily single-family homes), housing prices, and demographics (majority White and higher incomes), HCD requires outreach for the availability of housing opportunities to expand beyond the city limits in order to reach a more diverse pool of potential residents. A preference policy that focuses on existing residents may conflict with this goal, as Goleta generally fits HCD’s perception of an exclusive community.

## **Recommendations for the City of Goleta**

### ***Do Not Extend Local Preference Policy to Market-Rate Units at Present***

The consultant team recommends that the City continue to implement its existing policy of giving priority preference to local residents and workers for available BMR units. As it pertains to market-rate units, however, the team recommends that the City does ***not*** extend a local preference policy to these units, as it would be the first jurisdiction in California that the consultant team is aware of to do so.

State and federal fair housing laws govern the selling and renting of units, and the provision of housing services in a way that offers equal opportunity for all. It should be noted that the consultant team does not include legal experts. However, our opinion is that inclusion of market-rate units in a local preference policy may violate state and federal fair housing laws.

While State laws make an exception for BMR units to be included in local preference policies, these exceptions do not extend to market-rate units.

Until the City of Goleta is able to commission a Disparate Impact Study, it is not recommended that the existing local preference policy be altered. A Disparate Impact Study, such as the Study commissioned by the City of Berkeley in advance of updating its own Housing Preference Policy,<sup>4</sup> would potentially allow the City of Goleta to extend the scope of their local preference targets, but only if no disparate impact on protected classes were found.

#### ***Track Local Preference Expansion Efforts Elsewhere in Santa Barbara County***

The City may also wish to consider tracking and monitoring the efforts of nearby jurisdictions to expand their own local preference programs. Program 21 in the County of Santa Barbara’s 2023-2031 Housing Element, for example, directs the County to study the feasibility of developing a local preference program that prioritizes people who live and/or work within Santa Barbara County to rent or purchase affordable and upper moderate-income housing units.

According to the Housing Element, the timeline for this effort includes developing an ordinance and/or related guidelines by June 2025.

#### ***Monitor and Support Other Partners to Incentivize Local Preference Opportunities***

Finally, the City may consider monitoring and supporting organizations such as the Santa Barbara South Coast Chamber of Commerce, who are working with local partners and the private sector to identify strategies for directing housing opportunities to the local workforce. Possible strategies include:

- **Employer Sponsored Housing Consortium**

The Chamber has recently spearheaded an effort to create a local employer sponsored housing consortium. This is a model in which local employers enter into a limited partnership for the purpose of developing or acquiring residential rental properties for their employees. Depending upon the investment level, each employer would hold the right to reserve a corresponding number of housing units available to their employees. As of July 2024, the Chamber has prioritized creating its first employee sponsored housing consortium, as well as fostering official partnerships between the consortium and new housing projects.

- **Workforce Housing “Marketplace”**

A local Workforce Housing “Marketplace” is a tool in which local developers can list units coming to market for rent or sale. Employers and HR departments in the City of Goleta

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<sup>4</sup> <https://berkeleyca.gov/sites/default/files/documents/2023-02-28%20Item%2005%20Contract%20%20Street%20Level%20Advisors.pdf>

could distribute information to their employees, increasing the potential of securing these units locally.

- Chamber Workforce Housing Incentive Program

The Chamber has also previously utilized a Workforce Housing Incentive Program. This Program works with developer partners to market new local housing projects to Chamber employers, who may then pass these opportunities on to their employees. In the past, developer partners have offered a 10 percent discount on 6 months of rent after their first 6 months, provided that the renter is employed by one of the Chamber employers.

While these strategies to incentivize local preference would be driven largely by the private and non-governmental sectors, they nonetheless share significant overlap with the City's policy priority of expanding housing opportunities to local workers and residents



**Attachment 2**  
**Staff Presentation**

# Housing Priority for Goleta Residents and Employees

March 10, 2025

Planning Commission

*Presentation by:*

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# Background

- The City adopted the Housing Element 2023-2031 on December 5, 2023
  - HE 2.2(a) Linkage of Housing and Jobs, Housing Priority for Goleta Residents and Employees
- City contracted with BAE for support on these programs
  - Prepared a Considerations for Implementing a Housing Priority Policy for Goleta Residents and Employees Memo



# Background

## Housing Element Program 2.2(a): **Housing Priority for Goleta Residents and Employees**

- To the extent permitted by law, the City will give persons working and/or residing in Goleta priority preference regarding available units, marketing, and selecting occupants for affordable and market-rate units, including rental and ownership units. The intent is to meet local housing needs consistent with the RHNA and contribute to mitigation of traffic, economic development, and community safety conditions



# Background – Existing Local Preference

- Affordable Housing Policies & Procedures Manual has a preference for local employees and residents for certain Below Market Rate (BMR) units
  - Examples include units created via the Inclusionary Housing program and Density Bonus Law
- **Does not extend to market-rate units**



# Outline of Housing Priority Policy Memo

- Introduction
- What is “Local Preference”?
- Existing Local Preference Policy in Goleta
- Local Preference Case Studies in Other Jurisdictions
- Legal and Other Considerations
- Recommendations for the City of Goleta





# Case Study: City of Pasadena



- Preference to residents of deed restricted affordable housing units in Pasadena who are currently considered over-housed (e.g., a single-person household residing in a three-bedroom unit)
- Required to demonstrate that the Local Preference Policy did not have a “disparate impact” on the protected classes in the region



# Case Study: City of Berkeley

- Preference for BMR units to residents who have been displaced, households with children, residents who live/lived in redlined neighborhoods, among other categories
- The policy was adopted after conducting a Disparate Impact Analysis.





# Legal Framework

**State.** Local Preference allowed in the following circumstances:

- Lower income households that are subject to displacement risk within affordable housing projects
- Affordable housing developed and financed with low-income housing tax credit (LIHTCs) and tax-exempt private activity bonds, per tax code

## **Federal**

- Fair housing laws prohibits policies that have a disparate impact on protected classes, even if they do not explicitly discriminate
- LIHTC developments are available for “public use,” but preferences are permitted for members of a specified group under a state program or policy that supports housing for that group



# Memo Recommendations

## 1. Continue Existing Local Preference Policy at Present

- Continue to implement existing policy to BMR units
- Do not extend policy to market-rate units

## If extended, contrary to recommendation:

- A Disparate Impact Study would potentially allow the City to extend the scope of their local preference targets, but only if no disparate impact on protected classes were found



# Memo Recommendations

## 2. Track Local Preference Expansion Efforts Elsewhere in Santa Barbara County

- Track and monitoring the efforts of nearby jurisdictions
  - Ex: Program 21 in the County of Santa Barbara's 2023-2031 Housing Element



# Memo Recommendations

## 3. Monitor and Support Other Partners to Incentivize Local Preference Opportunities

- Consider supporting organizations working to identify local workforce housing strategies
- Ex:
  - Employer Sponsored Housing Consortium
  - Workforce Housing “Marketplace”
  - Chamber Workforce Housing Incentive Program



# Staff Recommendation in Response to the Memo – Recommendation 1

- Staff Supports Recommendation 1 based on the following factors:
  - No existing market-rate programs to learn from
  - Potential legal concerns
  - Administrative complexities



# Staff Recommendation in Response to the Memo – Recommendation 2 and 3

- Staff Supports Recommendation 2 and 3 based on the following factors:
  - Provides the City time track future market-rate preference programs, if any are created, before embarking on an unknown process

Note: City staff propose returning to the Planning Commission in two years to provide an update on these recommendations



# Staff Recommendation in Response to the Memo for Planning Commission Consideration

- Move forward with Memo Recommendations
  - (1) continue to implement the City's existing local preference requirements for BMR units and not expand the requirements to market-rate units
  - (2) follow the County of Santa Barbara's efforts to implement their Housing Element Program 21
  - (3) track other efforts to support employee and local housing options



# Next Steps

- Planning Commission recommendation
- Presentation and feedback from City Council
- Report back in 2 years





# Commission Questions and Feedback