



SAN LUIS OBISPO COUNTY

**REGIONAL HOUSING &
INFRASTRUCTURE PLAN**

ACKNOWLEDGEMENTS PAGE

CONTENTS

HIP Summary	4
Data and Project Inventory	6
Housing	7
Water & Wastewater	7
Transportation	7
Bonus Layers.....	8
Housing Efficiency Analysis.....	8
Infrastructure Prioritization.....	8
Findings.....	10
Future Data Considerations.....	12
HIP Mapping Tool	14
Affordable-By-Design Study	15
Rental Preliminary Findings	16
For-Sale Preliminary Findings.....	18
Market Conditions.....	19
Funding Strategies Assessment	20
Housing Highlights	21
Stakeholder Engagement Strategy.....	21
Regional Housing Success Stories.....	23
Next Steps.....	23
Appendix.....	23
Appendix A: Draft List of HIP Infrastructure Priorities.....	23
Appendix B: Affordable-by-Design Study Preliminary Information.....	23
Appendix C: Funding Strategies Assessment Preliminary Information	23
Appendix D: Regional Compact & Housing Element Regional Chapter	23
Appendix E: Additional Housing Data <i>July 2023</i>	23

FIGURES

Figure 1: HIP Elements	5
Figure 2: Draft HIP Priority Projects Summary	5
Figure 3: Data Inventory Sources.....	6
Figure 4: HIP Mapping Process	8
Figure 5: HIP Analysis Process	9
Figure 6: Draft HIP List Summary.....	10
Figure 7: Priority Projects by Community.....	11
Figure 8: Multijurisdictional Projects by Priority	11
Figure 9: Priority Projects by Subregion	12
Figure 10: Future Data Considerations by Community	13
Figure 11: Future Data Considerations by Subregion.....	13
Figure 12: San Luis Obispo County's Rent and Sale Price Limits (May 2022)	15
Figure 13: Feasibility of Rental Prototypes by Subregion	17
Figure 14: Key Takeaways from Financial Feasibility Analysis (Rental)	17
Figure 15: Market Conditions for Lower-Cost Housing	19
Figure 16: Public Sector and ABD Market Conditions	20
Figure 17: HIP Stakeholder Process	22

HIP SUMMARY

The Regional Housing & Infrastructure Plan (HIP) is a collaborative action plan between nine local jurisdictions in response to the San Luis Obispo region's growing housing and infrastructure shortage. The HIP is intended to help accelerate housing development where it makes the most sense given regional conditions and readiness. The HIP inventories infrastructure barriers to housing, identifies funding to implement infrastructure needs, and develops foundational information for the future 2027 Regional Housing Needs Assessment (RHNA).

In 2018, the County of San Luis Obispo recognized the need to work regionally in solving the critical shortage of infrastructure resources and housing attainability in San Luis Obispo County. This challenge is larger than any one jurisdiction can solve alone. In January 2019 the County Board of Supervisors approved the kick off of this effort. Since inception, the HIP has always been a phased approach with the goals of regional collaboration, strategic action planning, and aligning land use planning documents.

The Regional Compact (April 2020)

The County, seven Cities, and San Luis Obispo Council of Governments (SLOCOG) approved the first major milestone of the HIP - the San Luis Obispo Countywide Regional Compact. The Regional Compact is an aspirational document that sets the tone and goals for future recommended plans and actions among the local agencies. It establishes a united regional framework to unlock the potential to develop an adequate supply of housing and resilient infrastructure that support our economic prosperity. It recognizes that people, water, transportation, connectivity, and housing form the foundation of the San Luis Obispo region's healthy, livable communities and thriving economic opportunity.

Housing Element Alignment (June 2020)

The County and the seven Cities were each required to update their jurisdiction's Housing Elements to reflect how local communities are planning for the State's 6th Cycle Regional Housing Needs Allocations through 2028. The Housing Elements were submitted to the Housing and Community Development (HCD) in December 2020. As part of the Housing Element update process, the regional approach section was developed to showcase the ongoing commitment of each agency to the HIP collaboration. This section presents a regional vision and policies focused specifically on fostering regional collaboration to plan and develop housing and supportive infrastructure. It was the first time all seven jurisdictions included a regional approach chapter in their required housing elements.

Regional Housing and Infrastructure Plan (2022-2023)

Put on hold during the Pandemic, the HIP was revived in June 2022 with the establishment of a Memorandum of Understanding between the County of San Luis Obispo and SLOCOG. SLOCOG became the project manager of the effort. With Senate Bill 2 funding sunseting in September 2023, the HIP began moving at an accelerated pace. There are seven elements of

the HIP and they are listed in Figure 1: HIP Elements. These elements intertwine and build upon one another.

Figure 1: HIP Elements

HIP Element	Informs
Data and Project Inventory	Infrastructure barriers to housing
Housing Efficiency Analysis	Housing Efficient Areas in HIP
Infrastructure Prioritization	Region’s highest priority projects to unlock housing
HIP Mapping Tool	Living strategic analysis tool used to show the interrelation between housing and infrastructure
Affordable-by-Design Study	Menu of possible policies to increase housing attainability
Funding Strategies Assessment	Funding the region could pursue for priority infrastructure
Housing Highlights	Communication tool: Understanding the need for housing, affordability, and opportunities

There were 430 infrastructure projects collected as part of the data inventory. Of those, 18% (78 projects) were located within Housing Efficient Areas. The 78 projects were ranked using a three-tiered prioritization process based on potential new housing units served. The estimated cost for all 78 HIP projects is a little under one billion dollars. About one third of the projects are water related with the remaining being transportation improvements. The estimates for each prioritized category are relatively similar around \$300 million.

Figure 2: Draft HIP Priority Projects Summary

	Estimate (\$ Millions)	Projects
Estimate for all HIP Projects	\$ 919	78
High	\$ 323	53
Medium	\$ 315	9
Low	\$ 281	16

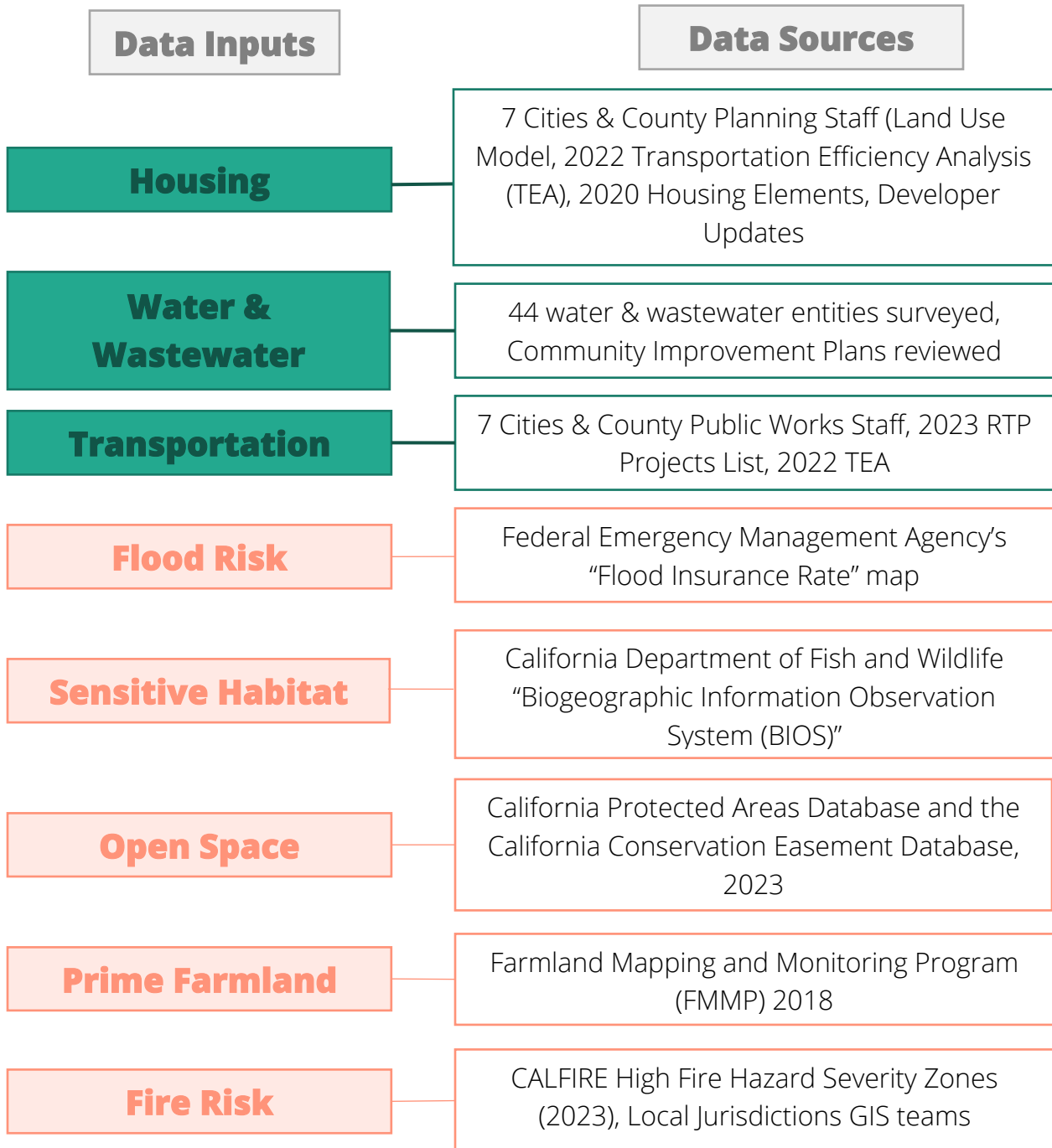
HIP 2023+

The HIP is the first of its kind, and it is intended to be a living document. For the last five years, collaboration has continued to build, and these incremental steps have allowed the region to make progress in addressing the monumental challenges of the housing and infrastructure shortage. *Next steps to follow stakeholder guidance during Summer 2023 Outreach.*

DATA AND PROJECT INVENTORY

The HIP analyzes the transportation, water, and wastewater infrastructure barriers to housing development. Figure 3: Data Inventory Sources, provides the source details on the data used in the HIP analysis.

Figure 3: Data Inventory Sources



Housing

Proposed residential developments within the seven cities and unincorporated county were collected from planning staff in 2021. This data includes specific plans, proposed residential and mixed-use projects projected for to be built between now and 2045. Residential development that has been completed or near completion was removed from the HIP analysis.

Water & Wastewater

In early January 2023, SLOCOG staff contacted the 44 water and wastewater agencies found in the 2021 Regional Water Infrastructure Resiliency Plan. Five initial questions were asked to the agencies:

1. Is your agency fulfilling its water/wastewater service demand?
2. Do you have capacity to serve additional housing units?
3. Is your agency experiencing any infrastructure limitations or does it have any infrastructure needs?
4. Have they been planned for?
5. Is there a cost estimate for these improvements?

The data collected includes the findings of the 2021 Regional Water Infrastructure Resiliency Plan, agency responses, local capital improvement project lists, and information from the County of San Luis Obispo's Water Team. Water and wastewater service districts were used as water boundaries. Detailed GIS based data from these agencies is limited and water capacity data will be informed by the County's Master Water Report Update. However, infrastructure projects, estimated costs, and timing were all collected. In 2023, forty-five water and wastewater projects were collected from the agencies.

Transportation

Transportation infrastructure was studied in the Transportation Efficiency Analysis (TEA) which the SLOCOG Board approved in April 2022. The TEA identified transportation barriers to housing production which resulted in a list of transportation projects that were prioritized as either land use necessitated or land use beneficial. Land use necessitated projects were transportation projects required for new housing development. These projects are considered TEA priority projects because they are needed to accelerate housing development. Land use beneficial projects are transportation projects that are not required for housing development but improve the transportation efficiency of an area. Of the 350+ transportation investments contained within in the 2023 Regional Transportation Plan (RTP), 64 transportation investments were identified as TEA projects. The San Luis Obispo Regional Transit Authority (RTA) provided details on transit projects and additional improvements needed to best serve additional housing development. The transportation infrastructure list was further refined in the HIP analysis and prioritized differently.

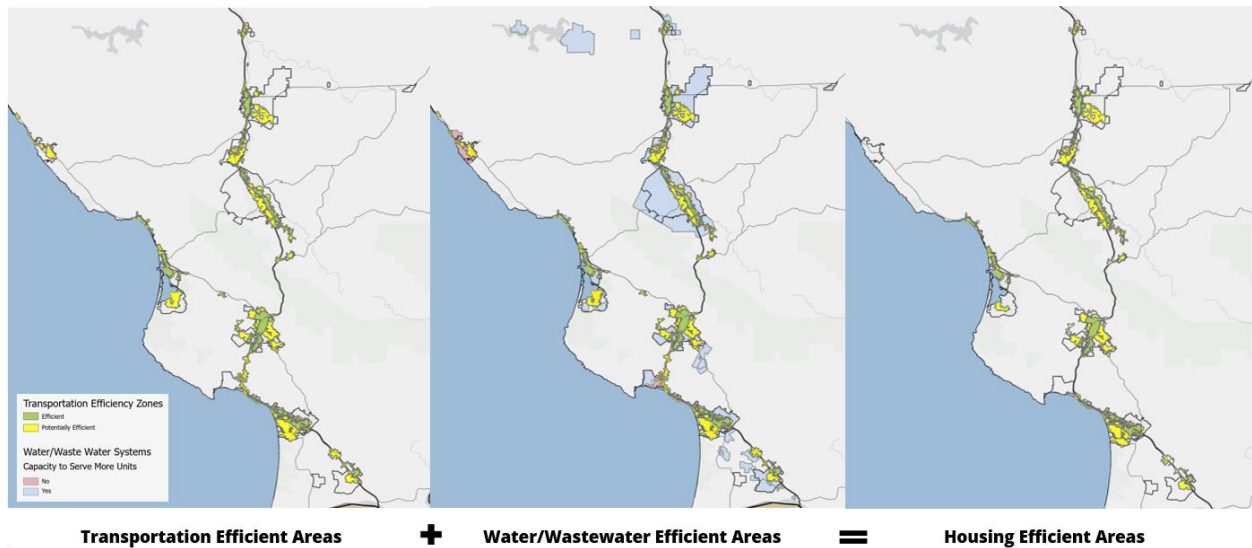
Bonus Layers

The HIP analysis provides the data that connects infrastructure and housing on a regional scale for the first-time. The 2023 effort is also the first phase of the analysis. When planning for housing, land conditions carefully considered. To provide a fuller picture, flood risk, sensitive habitat, open space, prime farmland, and fire risk were all included as additional reference information. These were not used to remove infrastructure projects from the HIP list but are there to provide additional context.

HOUSING EFFICIENCY ANALYSIS

The HIP Infrastructure Analysis looks at three efficiency factors: transportation access, water capacity, and wastewater capacity. By combining the three efficiency factors, housing efficient areas were identified. This is graphically represented in Figure 4: HIP Mapping Process. Any infrastructure projects located in the “efficient” or “potential” mapped areas moved on to the prioritization phase. All areas and projects that were considered “limited” were removed from further analysis. The Communities of Shandon, Avila Beach, and Cambria were removed from HIP analysis since they did not meet the efficiency criteria.

Figure 4: HIP Mapping Process



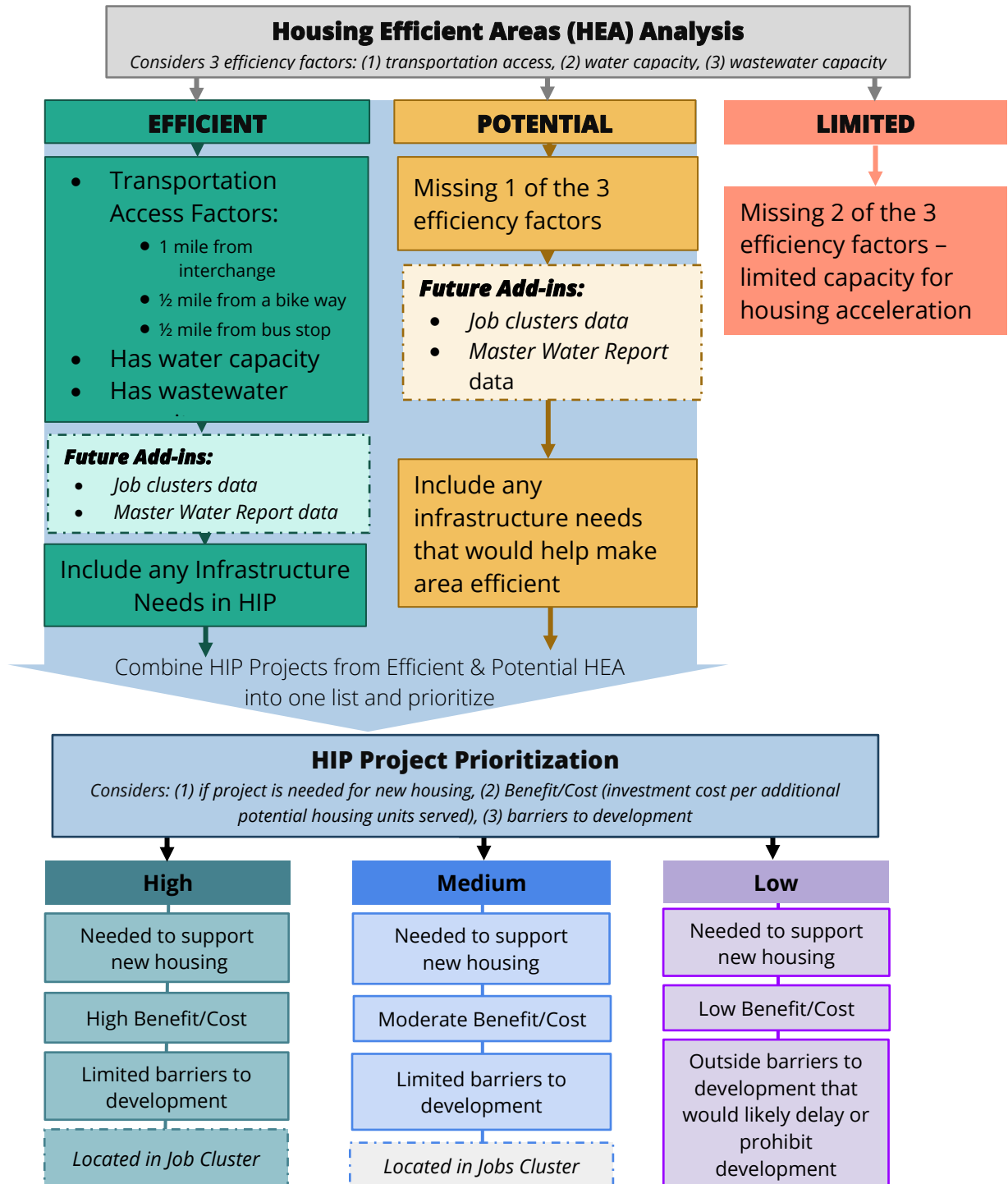
There were 430 infrastructure projects collected as part of the data inventory. Of those, 18% (78 projects) were located within a Housing Efficient Area. The 78 projects moved on to the prioritization phase. The flow of the analysis can be seen in Figure 5: HIP Analysis Process

INFRASTRUCTURE PRIORITIZATION

After stakeholder outreach in February and March 2023, a three-tiered approach was selected to prioritize projects. Projects were labeled as high, medium, or low depending on three factors: if the project supports new housing, the benefit/cost (project cost per total potential

housing units within community), and barriers to development. Barriers to development include instances such as a building moratorium. These barriers are outside the controls of the HIP and slow housing development. The entire analysis and prioritization process can be seen in Figure 5.

Figure 5: HIP Analysis Process



Infrastructure projects were divided into two lists, water and transportation, and then prioritized. It was concluded that transportation projects, in general, could be built at various stages of housing development. Whereas, housing cannot be built without adequate water distribution and collection infrastructure. Each list was sorted by highest benefit/cost. The total funding need for the list was divided by three to categorize projects as high, medium, or low.

The premise of the HIP is to help accelerate housing development, so the current prioritization factors relate solely to the total amount of proposed housing. In the future, other factors like jobs-housing balance factors and proposed housing unit type could be considered.

Findings

The draft HIP list contains 78 infrastructure projects with an estimated cost of nearly one billion dollars in need. As seen in Figure 6: Draft HIP List Summary, about one third of the needed infrastructure investments are water-related (supply & wastewater) and two-thirds are transportation-related. Interestingly, each priority category (high, medium, low) are relatively similar at around \$300 million. However, the cost of nine medium ranked projects is equivalent to 53 high priority projects.

Figure 6: Draft HIP List Summary

	Estimate (\$ millions)	Projects
Total Estimate	\$ 919	78
High	\$ 323	53
Medium	\$ 315	9
Low	\$ 281	16
WATER	\$ 301	19
TRANSPORTATION	\$ 618	59

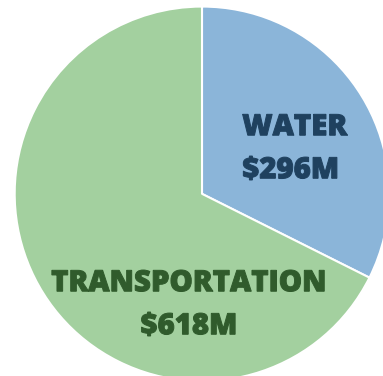


Figure 7: Priority Projects by Community breaks down the total number of HIP priority projects, the total investment needed for each proposed housing unit, and the total estimate investment needed by community. Within the 78 total projects, three are listed as multijurisdictional projects including Central Coast Blue, the Regional Transit Authority Cashless Fare System Conversion, and the North County Transit Charging Facility. In Figure 7, these are listed as a separate row and are not included individually in the "HIP Projects" column for each community. However, multijurisdictional project costs are included in the community's total investment needed. The number of multijurisdictional projects by priority can be seen in Figure 8.

Figure 7: Priority Projects by Community

Community	Total Proposed Dwelling Units	HIP Projects	High	Medium	Low	Total Investment needed per proposed unit	Total Estimated Investment Needed (\$ millions)
<i>Multijurisdictional*</i>		3	2	1			\$ 95
Arroyo Grande	600	1			1	\$ 227,254	\$ 136
Atascadero	722	2	1	1		\$ 23,734	\$ 17
Grover Beach	624	4	3		1	\$ 85,920	\$ 54
Morro Bay	120	1			1	\$ 183,368	\$ 22
Paso Robles	4,959	17	16	1		\$ 37,055	\$ 184
Pismo Beach	297					\$ 61,179	\$ 18
San Luis Obispo	6,171	26	23	3		\$ 43,197	\$ 267
County	2,221	22	6	3	13	\$ 77,286	\$ 172
Cayucos	7	2		1	1	\$ 1,185,714	\$ 8
Los Osos	-	3			3	\$ -	\$ 15
Nipomo	1,351	6	4	1	1	\$ 25,171	\$ 34
Oceano	4	1			1	\$ 950,000	\$ 4
San Miguel	152	1			1	\$ 269,737	\$ 41
Santa Margarita	514	1	1			\$ 2,918	\$ 2
Templeton	193	7	1	1	5	\$ 341,647	\$ 66
Cal Poly	2,780	2	2			\$ 17,986	\$ 50
Total Projects	15,714	78	53	9	16	\$ 58,547	\$ 920
Priority Category Total Cost Estimate (\$ millions)			\$ 323	\$ 315	\$ 281		

Figure 8: Multijurisdictional Projects by Priority

Community	Multijurisdictional HIP Projects	High	Medium	Low
Arroyo Grande^{1,2}	2	1	1	
Atascadero^{2,3}	2	2		
Grover Beach^{1,2}	2	1	1	
Morro Bay²	1	1		
Paso Robles^{2,3}	2	2		
Pismo Beach^{1,2}	2	1	2	
San Luis Obispo²	1	1		
County^{2,3}	2	2		

The 3 multijurisdictional projects include the following: *Central Coast Blue¹*, *Cashless Fare System Conversion²*, *North County Charging Facility³*

Ninety-nine percent of the region’s population lives in four out of five subregions: North County, Central County, North Coast, and South County. Both North and Central County have 29 HIP projects. Even though projects in these two regions make up the majority of the HIP list, North County and Central County combined make up 81% of the proposed new housing units in the region.

Figure 9: Priority Projects by Subregion

Subregion	Total Proposed Dwelling Units	HIP Projects	High	Medium	Low	Total Investment needed per proposed unit	Total Estimated Investment Needed (\$ millions)
North County	6,540	29	20	3	6	\$ 47,401	\$ 310
Central County	6,171	29	25	3	1	\$ 51,693	\$ 319
North Coast	127	6	0	1	5	\$ 354,331	\$ 45
South County	2,876	13	7	2	4	\$ 85,535	\$ 246

The draft list can be viewed in Appendix A: HIP Project List.

Future Data Considerations

Creating balanced communities is one of the six 2020 Regional Housing Compact goals. The 2023 Sustainable Communities Strategy defines a jobs-housing balanced community as

A community where residents can both live and work. With jobs and housing in close proximity, vehicle trips and commute times reduce and active transportation and transit use increase. These balanced communities also provide a broad mix of housing options to accommodate households with a range of incomes.

As a proactive measure, the jobs-housing balance of communities was analyzed using live/work percentages. A live/work percentage is the total number of employees living and working in the city or community boundaries divided by the total workers living in that boundary. In future iterations of the HIP, jobs-housing balance could be integrated through the live/work percentage and additional job cluster data as mentioned in Figure 5: HIP Analysis Process. The data displayed in

Figure 10 and Figure 11 was not used to prioritize projects in the 2023 HIP. The information is for reference purposes only. This information is included since it relates to goals found in the 2020 Regional Housing Compact, HIP stakeholder interest, and or relates to the 2023 Affordable-by-Design Study. The 2023 Affordable-By-Design Study has shown that units within the multi-family category are more aligned units in the low- and moderately-priced income

categories. Understanding the proposed multi-family percentage of each community provides better insight on how the region will fulfill the needs of working households.

Figure 10: Future Data Considerations by Community

<i>Community</i>	<i>Number of Total Proposed Dwelling Units</i>	<i>% of Multi-family units proposed</i>	<i>Live Work Percentage</i>
<i>Arroyo Grande</i>	600	18%	14%
<i>Atascadero</i>	722	75%	21%
<i>Grover Beach</i>	624	81%	9%
<i>Morro Bay</i>	120	47%	21%
<i>Paso Robles</i>	4,959	42%	28%
<i>Pismo Beach</i>	297	30%	12%
<i>San Luis Obispo County</i>	6,171	58%	41%
<i>Cayucos</i>	7	0%	13%
<i>Los Osos</i>	-	0%	11%
<i>Nipomo</i>	1,351	34%	9%
<i>Oceano</i>	4	100%	4%
<i>San Miguel</i>	152	0%	3%
<i>Santa Margarita</i>	514	10%	2%
<i>Templeton</i>	193	19%	12%
Total	15,714		

Source: Longitudinal Employer-Household Dynamics (LEHD) 2019, SLOCOG GIS

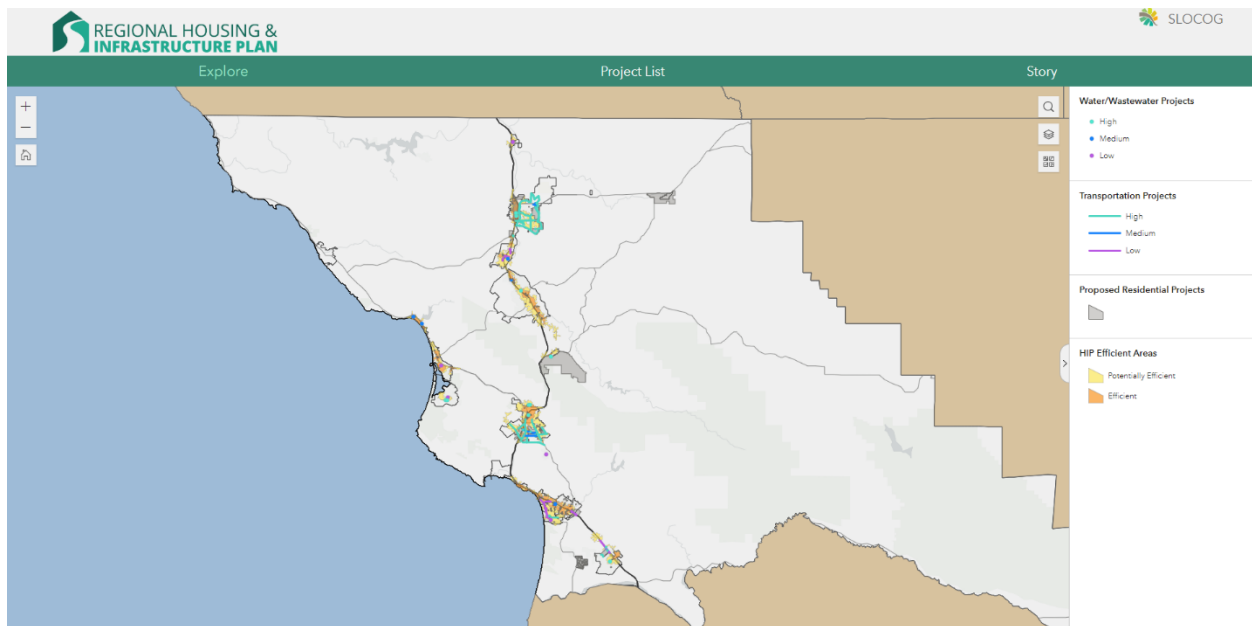
Figure 11: Future Data Considerations by Subregion

<i>Subregion</i>	<i>Number of Total Proposed Dwelling Units</i>	<i>% of Multi-family units proposed</i>	<i>Live Work Percentage</i>
<i>North County</i>	6,540	42%	40%
<i>Central County</i>	6,171	58%	44%
<i>North Coast</i>	127	44%	27%
<i>South County</i>	2,876	41%	27%

Source: Longitudinal Employer-Household Dynamics (LEHD) 2019, SLOCOG GIS

HIP MAPPING TOOL

The [HIP Mapping Tool](#) was created to display GIS analysis and foster future collaboration. The tool was created using ArcGIS Experience Builder, ArcGIS Online, and ArcGIS Storymaps. Users have the ability to pan around the map in the "Explore" tab and turn map layers on and off. The "Project List" tab allows the user to browse through HIP projects categorized by transportation or water projects and is color coded by priority category. When a project is selected on the list, the map will zoom to the project. The user may also click on projects from the map to view a pop-up showing the name, description, and estimated cost. The "Story" tab of the tool gives a summary of the HIP and provides the four-step process of how the analysis was carried out in GIS. Individual layers are shown along with project tables.



AFFORDABLE-BY-DESIGN STUDY

The Affordable-by-Design (ABD) Study evaluates housing affordability characteristics for the seven incorporated Cities and unincorporated San Luis Obispo County. The intention of the ABD study is to show certain units (built without financial assistance or deed restrictions) as either low- or moderate-income units in annual Housing and Community Development RHNA reports. For purposes of the ABD Study, “affordable by design” (ABD) is defined as new housing that is not income- or rent-restricted, but where typical market rents or sales prices would be affordable to low or moderate-income households (earning 50-120% of Area Median Income). The San Luis Obispo County’s published rent and sale price limits by income level define the rent and price range affordable at this income level as seen in Figure 12.

Figure 12: San Luis Obispo County’s Rent and Sale Price Limits (May 2022)

Maximum rents: (see footnotes)

Unit Size (Bedrooms)	Acutely Low	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Workforce
Studio	\$287	\$573	\$956	\$1,147	\$2,102	\$2,867
1	\$328	\$655	\$1,092	\$1,310	\$2,402	\$3,276
2	\$369	\$737	\$1,229	\$1,475	\$2,703	\$3,686
3	\$410	\$819	\$1,365	\$1,638	\$3,003	\$4,095
4	\$442	\$885	\$1,474	\$1,769	\$3,244	\$4,423

Note 1: The maximum rent limits shown above do not include adjustments for utilities. Refer to the utility allowance bulletin posted on the website of the Housing Authority of the City of San Luis Obispo.

Note 2: Rent limits are updated when the State issues its annual update to median incomes, generally in April of each year.

Sample maximum sales prices: (see footnotes)

Unit Size (Bedrooms)	Acutely Low	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Workforce
Studio	17,000	\$54,000	\$100,000	\$151,000	\$292,000	\$406,000
1	23,000	\$64,000	\$120,000	\$175,000	\$337,000	\$466,000
2	28,000	\$75,000	\$137,000	\$199,000	\$381,000	\$527,000
3	33,000	\$85,000	\$154,000	\$224,000	\$426,000	\$587,000
4	37,000	\$93,000	\$168,000	\$243,000	\$461,000	\$636,000

Note 1: Homeowner association due (HOA) assumption per month is 150.00

Note 2: Mortgage financing assumed at a fixed rate for 30 years (HSH Associates) is 6.43%

Note 3: Prices shown are preliminary estimates and may be revised. Round to the nearest 1000th.

The ABD Study includes the following approach:

1. Identify common physical characteristics for ABD housing
2. Interviews with local housing developers
3. Consider whether ABD housing examples from other regions could meet ABD criteria in SLO County's market
4. Financial feasibility analysis of illustrative "prototypical" development examples
5. Identify regulatory barriers to development to ABD housing
6. Highlight potential policy measures to support ABD housing

EcoNorthwest used development "prototypes" to highlight characteristics of housing that could potentially meet the Study's ABD definition. These are prototypical developments informed by (or extrapolated from) actual development. Each development prototype is a specific combination of key characteristics, such as number of units and configuration (e.g., detached, attached side-by-side, stacked), Lot size / density, height, unit size and parking. In May 2023, preliminary findings were presented to five stakeholder groups. The following information provides a brief summary and more preliminary information can be viewed in Appendix B: Affordable-by-Design Study Preliminary Information. The final report will be completed in July for SLOCOG Board consideration in August.

Rental Preliminary Findings






On the rental side of new development (within the last 5 years), some new apartments are affordable at a moderate-income level. This may include some mixed-income buildings but 1-bedroom units are most likely to be affordable whereas no 3-bedroom units are categorized as affordable. Design helps but does not guarantee affordability. Most of the buildings that fit within the ABD definition are 3-story, they have a smaller average unit sizes, but not all small units are affordable to moderate-income households.

























EcoNorthwest looked at examples from other housing markets within California, Washington, and Oregon to add a few possibilities to a financial feasibility analysis. These prototypes included:

- A. 3-story walk-up apartments—standard
 - Larger units (~880 sf average)
 - Typical density, parking ratio, and landscaping
- B. 3-story walk-up apartments—compact
 - Smaller units (~620 sf average)
 - Higher density, lower parking ratio, less landscaping
- C. 4-story micro-unit apartments
 - Very small units (~300 sf, shared kitchens, individual kitchenettes)
 - Very high density, no parking, no landscaping

Figure 13: Feasibility of Rental Prototypes by Subregion

Summary of Results by Market Area

- Key:
-  Very Likely to Meet Criteria
 -  Likely to Meet Criteria
 -  May Meet Criteria
 -  Unlikely to Meet Criteria
 -  Very Unlikely to Meet Criteria

Central County	Affordability	Feasibility
3-story walkup - standard		
3-story walkup - compact		
4-story micro units		
North Coast	Affordability	Feasibility
3-story walkup - standard		
3-story walkup - compact		
4-story micro units		
North County	Affordability	Feasibility
3-story walkup - standard		
3-story walkup - compact		
4-story micro units		
South County	Affordability	Feasibility
3-story walkup - standard		
3-story walkup - compact		
4-story micro units		

The financial feasibility analysis uses a metric called “return on cost” (ROC), which reflects the income potential of the completed development¹ divided by the total cost of development. This ratio is often used as an initial indicator of development feasibility for rental developments, as it provides a preliminary indication of whether the completed property will provide competitive financial returns that could attract investors and meet loan underwriting requirements. More data on the Market Assumptions can be found in Appendix B: Affordable-by-Design Study Preliminary Information.

Figure 14: Key Takeaways from Financial Feasibility Analysis (Rental)

Central County	North Coast	North County	South County
<ul style="list-style-type: none"> • Smaller units help achieve affordability • Market likely to support feasibility 	<ul style="list-style-type: none"> • Market rents provide affordability • Feasibility is difficult 	<ul style="list-style-type: none"> • Market rents likely affordable except for largest units • Market likely to support, except for the smallest units 	<ul style="list-style-type: none"> • Market rents likely affordable except for largest units • Market support is borderline

¹ Net Operating Income (NOI), the revenue after accounting for vacancy and operating expenses.

For-Sale Preliminary Findings

In the last five years, only manufactured housing in manufactured home parks met target price points for new for-sale housing using County calculations. This does not factor in the lot cost associated with manufactured home parks. There are few small detached homes that came close and could potentially meet the City of San Luis Obispo's affordability standards since they calculate income limits differently. Looking at examples from other housing markets:

- A. Small detached units
 - ~350-800 square feet units
 - Shared yards with clustered parking
 - Smallest units may be affordable at close to 120% of AMI in that market
 - **Affordability:** Comparable Units in SLO region exceed target price
- B. Small condo units
 - ~325-600 square feet units
 - Little or no on-site parking
 - Can be affordable to Moderate Income households in portions of some high-cost regions
 - **Feasibility:** May not be viable in SLO region's market
- C. Simple condo development
 - ~600-1000 square feet units
 - Little or no on-site parking with few shared amenities
 - Can be affordable to Moderate Income households in portions of some high-cost regions.
 - **Feasibility:** May not be viable in SLO region's market
- D. Smaller townhouse units
 - ~1,000-1,600 square feet units
 - Can be affordable to Moderate Income households in portions of some high-cost regions
 - **Affordability:** Comparable units in SLO region exceed target price
- E. Smaller single-detached homes
 - 3BR, ~1200-1500 square feet units
 - Can be affordable to moderate-income households in moderate-cost areas (e.g., Central Valley)
 - **Affordability:** Comparable units in SLO region exceed target price

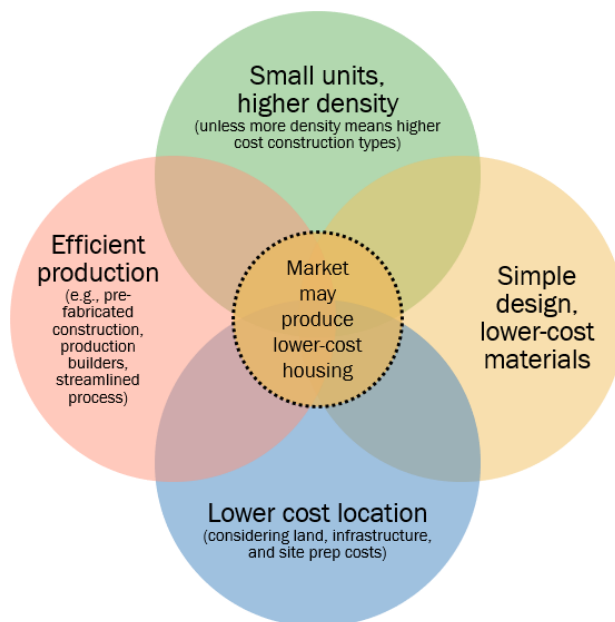
San Luis Obispo's regional market conditions do not support new for-sale housing at prices affordable to moderate-income households, with the possible exception of manufactured homes in housing parks. A few developments have attempted to produce ABD for-sale housing, but even with very small homes, prices are still too high for the moderate-income target price range. Factors that make for-sale housing more affordable in other areas may not translate to the SLO County market (lower land cost, no parking, few amenities, micro units).

Market Conditions

In summary, the rental market is close and regulatory change could help with smaller units in cost-effective developments. The market is not close in the for-sale side and a longer-term approach is needed. Increasing the housing production overall can help bring supply and demand into balance and make ABD achievable over the longer term. These preliminary findings are not surprising but sobering. Looking at a wide-angle view, ECONorthwest looked at what conditions make for lower-cost housing.

Figure 15: Market Conditions for Lower-Cost Housing

What allows the market to produce lower-cost housing?

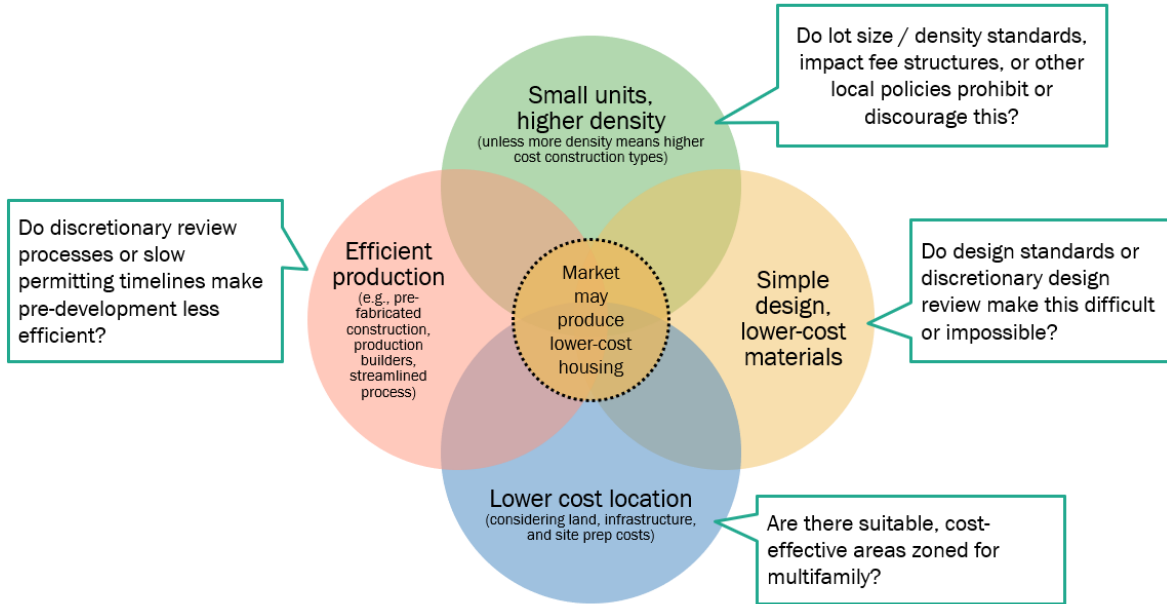


As seen in Figure 15: Market Conditions for Lower-Cost Housing, there are four factors that have to come together in the housing market to product lower-cost housing including simple design with lower-cost materials, lower cost locations, efficient production, and smaller units with a higher density.

A primary deliverable for the ABD Study is to create a menu of policy change options that will incentivize ABD units in the region. Figure 16 depicts how the public sector impacts the conditions for ABD. ECONorthwest interviewed six developers that work within the San Luis Obispo Region. Those interviews provided four market barrier themes to ABD Development including land cost, demand for high-end housing, construction costs, and demand for parking. They also identified six regulatory barrier themes to ABD development including: discretionary review, density caps, minimum unit sizes, parking requirements that exceed market demand, impact fees and inclusionary zoning, and required infrastructure improvements. More of these details will be made available in July.

Figure 16: Public Sector and ABD Market Conditions

How does the public sector impact market production of lower-cost housing?



In coordination with HIP stakeholders, ECONorthwest identified potential policies and incentives that local governments in the region could implement to support ABD housing development. In the next few months, the consultant will identify relevant case studies from jurisdictions that have implemented programs or policies similar to the relevant incentives, and, where possible, the impact they have had on housing production for ABD housing.

FUNDING STRATEGIES ASSESSMENT

The Funding Strategies Assessment seeks to identify funding and financing sources that can reasonably implement the water, wastewater, and transportation infrastructure needs of the HIP. BKF Engineering has drafted a grant inventory that connects each specific HIP project to various public sources of funding. They also include a grant glossary with factors such as eligibility requirements, deadlines, funding amounts available. These draft pieces can be reviewed in Appendix C: Funding Strategies Assessment Preliminary Information.

A Gap Analysis is currently being conducted which aims to determine the difference between the required funding for the projects and the potential funding that can be secured through grants and other funding sources. The Gap Analysis approach includes:

1. Assessing the Projects & Determining Funding Requirements:
2. Identifying Potential Funding Sources
3. Estimating Potential Grant Funding
4. Calculating the Funding Gap
5. Proposing Strategies to Bridge the Funding Gap

The Funding Strategies Assessment will include a detailed breakdown on a project-by-project basis, covering funding requirements, corresponding funding sources, projected grant funding, and the residual funding gap, including shortfalls and match requirements. An actionable timeline and a roadmap, along with recommendations for implementing the proposed strategies aimed to maximize the probability of securing the requisite funds for HIP projects.

The complete Funding Strategies Assessment will be available in July/August.

HOUSING HIGHLIGHTS

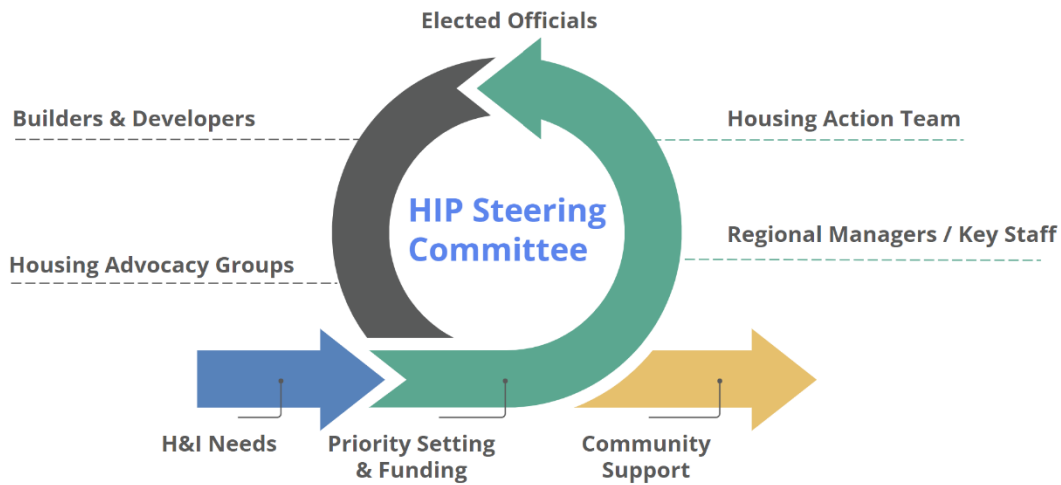
Stakeholder Engagement Strategy

The HIP engagement strategy established four outreach objectives:

- Foster ongoing collaboration and buy-in among private and public stakeholders.
- Remind government/elected officials of the Regional Compact and the motives behind it to lay groundwork for their commitment to the 2023 regional HIP.
- Build public sentiment in support of solutions and regional planning efforts related to HIP.
- Support effective coordination with and communication among SLOCOG, HIP consultants and the Comprehensive Economic Development Strategy (CEDS) teams.

The San Luis Obispo region has strategic goals for the future of housing and infrastructure, but they can only be achieved through the decisions and actions of organizations and stakeholders. The stakeholder meetings are designed to have honest conversations about what each organization can and needs to do to realize those goals. The December 2022 Regional Managers Retreat guided the stakeholder engagement process which is depicted in Figure 17: HIP Stakeholder Process.

Figure 17: HIP Stakeholder Process



The following list are the key stakeholder groups engaged – totaling approximately 100 individuals that participated during the HIP development process in January - June 2023:

Regional Managers/ Key Staff: A key driving force behind developing this plan has been regional leadership, including eight City Managers, County Administrative Officer, SLOCOG Executive Director (and key directors from their organizations).

Elected Officials: Two City Council Members with knowledge of regional differences bring the various perspectives and concerns voiced by their respective constituents for this Steering Committee. The full 40 elected officials within the region will have an opportunity to hear about the plan through public updates to SLOCOG Board as well as through presentations of the recommended HIP to their Councils and Boards in Summer 2023.

Building & Development Cluster: Leaders in the building and development industry that convene quarterly with the goal of regional coordination focused on aligning housing and infrastructure needs to create a strong local economy.

Housing Advocacy Group: Organizations and individuals that have significant influence in the community, with representation from the non-profit builders, local chambers of commerce and various advocate organizations.

Housing Action Team: Existing work group made up of planning/ community development staff from Cities, County, and SLOCOG.

Community Stakeholders: The broader community will be engaged in partnership with the SLO Chamber of Commerce Housing Summit in Spring 2023. Feedback from this event will be brought to the HIP Steering Committee to discuss and adjust the communications plan accordingly.

HIP Steering Committee: Formed to oversee the vision for the HIP Outreach Strategy and to bring leaders in each of these areas together, aligning and integrating the various interests that will lead to action on the region's priorities.

A HIP Steering Committee was selected to represent broader interests and to allow for cross-sector collaboration and cohesion. It is a small group of representatives with a balance of public and private backgrounds and a variety of expertise in issues related to development around the region. The HIP Steering Committee guided the development of a balanced plan, and helped to identify paths for the plan's successful adoption and implementation. The HIP Steering Committee includes Matthew Bronson (Grover Beach), Mayor Heather Moreno (Atascadero), Councilmember Andy Pease (SLO City), Trevor Keith (County of SLO), Aaryn Abbott (Abbott | Reed), Lenny Grant (RRM), Jeff Eckles (SLOCHTF), Courtney Howard (SLO Flood Control & Water Conservation District), Anthony Palazzo (Cal Poly), and Jorge Aguilar (Wallace Group).

Regional Housing Success Stories

Available following Summer 2023 Outreach

NEXT STEPS

Available following Summer 2023 Outreach

APPENDIX

Appendix A: Draft List of HIP Infrastructure Priorities

Appendix B: Affordable-by-Design Study Preliminary Information

Appendix C: Funding Strategies Assessment Preliminary Information

Appendix D: Regional Compact & Housing Element Regional Chapter

Appendix E: Additional Housing Data *July 2023*