

Santa Barbara Happenings



Terry A. Bartlett – Reetz, Fox & Bartlett LLP

Santa Maria-Santa Barbara as Number 1 Emerging Housing Market

Santa Maria-Santa Barbara has attained the number one spot on the Wall Street Journal's most recent Emerging Housing Markets Index. It was likely that merging the Santa Maria and Santa Barbara markets allowed for this development. Santa Barbara has a median home price of more than \$1 million which makes it inaccessible for many prospective buyers, but also has better wages and amenities than many markets making it more desirable. This desirability, along with the rise in remote work has allowed for many buyers who can afford to live here to do so. International homebuyers make up 3.3% of Santa Barbara's listing viewership (versus the 1.4% national average) for instance. Santa Maria meanwhile has a relatively low median home prices for the central coast (\$665,000) and is also near to Santa Barbara and San Luis Obispo which makes it desirable as well.

New Santa Barbara City Manager

Kelly McAdoo will be the new city administrator starting in May. Sarah Knecht has been serving as city administrator since the previous city administrator Rebecca Bjork retired in 2022. McAdoo has been city manager of Hayward, California for more than 20 years and had previously been part of the Palo Alto and Fremont city governments. She holds degrees in political science, international studies and public administration. Welcome aboard.



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The County's Biggest Boondoggle Ever and You are Paying for It

The Tajiguas Landfill and Resource Recovery Center which was supposed to divert recyclable materials from the landfill extending its capacity by years is predicted to be full by 2026. The largely unsuccessful facility costed around \$250 million dollars (including interest) which is being charged to residents in their waste disposal bills. Although, the landfill is currently seeking a new operator, it is un-

likely that a new operator will be able to overcome operational, regulatory and financial challenges that the facility faces. Environmental dreams for the project failed because the separating system did not work as hoped and the demand for recycled products evaporated meaning the items we "recycle" in blue bins wind up buried with ordinary trash.

Unintended Outcomes of Rent Control

A recent review of the literature on rent control published by the National Multifamily Housing Council found that "rent regulation programs reduce the supply of housing in communities across the nation – therefore increasing housing costs." The author of the review points out that, although governments try to mitigate the effects of rent control on the production of new housing using methods, such as only regulating the rents on units of a certain age, the returns to investors will always be reduced if rent is lowered which leads to less money available for the development of new housing by property owners. Instead of rent control policies, increased access to housing assistance programs that use means-based testing is a more effective program to provide and keep housings supply.

Santa Barbara County's Housing Element in Compliance with State Law

The County of Santa Barbara's Housing Element, which plans to build at least 5,664 units of housing in the unincorporated areas of the county over the next eight years, was found to be in substantial compliance with state law. This means that no new developments can be proposed under the builder's remedy. At least 14 projects were submitted through the streamlined process under the builder's remedy before this approval. No word yet on how these nearly 5,000 units will be accounted for in the state mandated housing requirement.

S.B. County Travel Patterns

According to a recent report on regional travel patterns by the Santa Barbara County Association of Governments, over 150% more people in Santa Barbara County work from home than before the pandemic. Most of those work remotely are high income earners (\$200,000 or more). The number of middle aged and young residents in Santa Barbara County is falling while the number of elderly residents is growing. There has been job growth.

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Goleta has seen the most job growth, followed by Santa Maria, and the unincorporated areas of the county. These areas are also the top three areas for new housing being development: Santa Maria has gained the most housing, followed by the unincorporated areas of the county and Goleta. This data leads to the conclusion that rather than building housing in the city of Santa Barbara, new housing should be built in Goleta where the jobs are, or work opportunities should be created near existing housing, in Lompoc, for example.

Commercial Real Estate Crisis Unfolding

The National Bureau of Economic Research reported that 45% of all office loans are underwater. Many office buildings nationwide stand vacant. A 262,000 square foot office building in Ohio was recently sold for \$2.4 million (\$9 per square foot). These kinds of very low values for commercial real estate and losses on loans could negatively impact regional banks making it even more difficult to get financing for business owners looking to rent space thus leading to even more vacancy. Santa Barbara has resilience most markets do not but the downward market pressure is felt even here.

Time to Put Housing on Underused Non-Prime Agricultural Lands

Americans are increasingly settling in less expensive, less regulated regions, often in the Southern and Southwestern states like Texas, Florida, North Carolina and Arizona. In 2023, for instance, Southern states accounted for 87% of all U.S. population growth. People are also moving from larger, historically popular cities like San Francisco to less densely populated areas within the same state (like the San Joaquin Valley). According to research from the University of California Merced, the majority of people from all demographics prefer single family housing to multifamily developments. This is also reflected in the fact that those metro areas that are growing tend to be highly dispersed (such as Austin, TX and Nashville, TN). The post WWII suburban model of development is still preferred by new and existing homeowners. All hail the backyard BBQ open space and the 2-car garage. Stack 'em and pack 'em small apartments in big buildings with no parking are not in demand.

Supervisors Amend Housing Code to Streamline Permitting

The Santa Barbara County Board of Supervisors voted 4-1 to approve changes to housing ordinances that will put them in compliance with new state housing laws. The changes are intended to streamline permitting for the development of affordable and by-right housing as well as to generally support development. Supervisors expressed concern about losing some local control but decided it was necessary to comply with the state and, in some

instances, elected to do more than was required by the state.



Biltmore Hotel in Santa Barbara Seeks Permits for More Renovations

The Biltmore, which is supposed to re-open in the fall, has recently applied for permits to extensively renovate its indoor areas as well as its landscaping. The proposal is scheduled to be back before the Montecito Board of Architectural Review on April 22nd. The Coral Casino Beach and Cabana Club which is also owned by Ty Warner re-opened in January after renovations.

Terry A. Bartlett is a real estate, housing, and landlord-tenant attorney at Reetz, Fox & Bartlett LLP in Santa Barbara. Any opinions expressed are her own and do not necessarily represent the views of SBRPA.

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