



August 14, 2007

The Honorable Helen Baumann, Chair
El Dorado County Board of Supervisors
330 Fair Lane, Bldg A
Placerville, CA. 95667

RE: El Dorado County's Affordable Housing Update (item # 07-1308)

Dear Chairman Baumann:

I am writing on behalf of the North State Building Industry Association (BIA), which represents more than 1,000 member companies in our region. We would like to take this opportunity to follow up with the Board of Supervisors (Board) on our concerns regarding inclusionary housing ordinances.

The BIA strongly feels that inclusionary zoning is not an effective way to provide affordable housing in the County. While inclusionary zoning may appear to supplement the housing supply of a given jurisdiction, it actually serves as a constraint to overall housing production. This is because the costs associated with the mandatory production of affordable housing actually ends up being spread to the market-rate homebuyers thereby increasing housing prices. Therefore, the most important factors for successfully developing affordable housing are adequate funding and incentives. Those cities and counties that have successfully produced affordable housing have provided incentives and/or subsidies to project applicants.

State law does NOT mandate that cities and counties have an inclusionary housing ordinance or policy. The California State Housing Law does require that the County of El Dorado; 1.) Identify properly zoned land with infrastructure for affordable housing, 2.) Identify County constraints on development of housing, 3.) Provide regulatory concessions and incentives for affordable housing, and 4.) Utilize financing and subsidy programs for the development of affordable housing. (Cal Gov Code § 65583) In fact, as stated in the attached letter from California Department of Housing and Community Development (HCD), “local governments must analyze mandatory inclusionary policies as potential government constraints on housing production when adopting or updating their housing elements.”

The BIA firmly believes that increasing the housing supply is fundamental to addressing the affordable housing concerns in El Dorado County. We understand that it will take a much broader commitment from the public and private sectors to make housing affordable to individuals and households. We are concerned that current efforts in our region will not address the issue, as a matter of fact; it will have the opposite effect

and will decrease the supply needed for the market to maintain a balance between supply and demand.

There is no question that a shortage of housing beyond that in demand causes the price of housing to increase. Of course, as the price of housing increases, less “affordable” housing is available. This begs the question, what is the cause of the shortage in the number of houses?

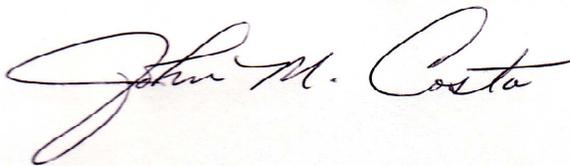
Fewer housing starts are primarily a result of increased regulatory constraints on residential construction, including environmental regulations, increased processing and impact fees on construction, lack of available land to build on, and the length of time to process applications.

The shortage of affordable housing is a societal problem, and the solution must be shared by society at large. Therefore, the County needs to provide incentives for voluntary production of affordable housing to offset the cost impacts of building affordable housing. The Community of El Dorado County, with the leadership of the Board, needs to maximize all of their resources collectively to create affordable housing.

With this in mind, the BIA would like to work with the County staff in the development of an affordable housing incentives program. In the current housing market, it is important that the incentives program is developed in such a manner that the homebuilder has the opportunity to voluntarily choose to participate in the program.

We look forward to continuing our positive relationship with the County of El Dorado. I appreciate your time and attention to our concerns.

Sincerely,

A handwritten signature in dark ink that reads "John M. Costa". The signature is fluid and cursive, with the first and last names being more prominent than the middle initial.

John Costa
Senior Legislative Advocate

cc: El Dorado County Board of Supervisor's
Shawna Purvines, El Dorado County Development Services Department
Joyce Aldrich, El Dorado County Department of Human Services
Dennis Rogers, Senior Vice President, Building Industry Association