



# County of Monterey

Item No.12

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: PAR 25-003

February 04, 2025

**Introduced:** 1/23/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** Preliminary Analysis  
Report

Receive a preliminary response to Referral Number 2024.17 (Church) regarding the establishment of a structured approach to assessing the economic impacts on housing before adopting new County ordinances.

### RECOMMENDATION:

It is recommended that the Board of Supervisors receive a report and provide direction to staff to incorporate a qualitative summary of the impacts of new or modified land use regulations on housing development in staff reports.

### SUMMARY:

On November 14, 2024, Supervisor Church submitted a referral (Referral No. 2024.17) requesting the establishment of a structured approach for assessing the economic impacts of new ordinances on housing.

Local land use regulations play a significant role in new housing development. The costs/affordability of housing is more complex. For example, lack of housing supply has been a significant factor in current housing costs, but costs are also significantly impacted by location, inflation, mortgage rates, house size, homeowner association fees, insurance, and other market forces. Some factors are in the control of local governments and others are not.

Housing and Community Development (HCD) staff are currently working on a Housing Element update with one of the mandated components of this update being a review of “constraints to housing” and “identification of programs and policies to remove these constraints.” In the Housing Element, analysis of constraints is addressed in terms of “governmental constraints” and “non-governmental constraints” following the logic discussed in the paragraph above. Some of the most often cited governmental constraints to housing development are listed below.

- 1. Zoning:** Zoning dictates how land can be used (residential, commercial, industrial, etc.) and can influence the density of housing. Strict zoning regulations may limit housing development by prohibiting certain types of housing or restricting where they can be built. Zoning regulations also establish what land uses are allowed and which uses or development are conditionally allowed. Conditionally allowed uses require public hearings, environmental determinations, and increase the amount of time and uncertainty in process.
- 2. Codes, Permit Fees, and Time:** Regulations that set standards for construction can affect the cost, timeline, and design of housing projects. Stringent codes may increase construction costs or slow down the process, potentially deterring developers from building affordable housing.
- 3. Affordable Housing Requirements:** The County has adopted policies that require a percentage of affordable housing in new projects containing five or more units. This can

increase the availability of affordable units but also raise the overall cost of development, which might discourage investment in certain regions.

4. **Environmental Regulations:** Land use policies that protect natural resources or require environmental reviews can limit the amount of land available for housing development or increase development costs due to mitigation efforts.
5. **Impact Fees and Taxes:** Fees and taxes imposed to offset the impact of new housing on infrastructure, roads, schools, parks, environmental resources, and other services, increase the cost of housing development, may discourage private investment in housing developments, and these costs are often passed along to the consumers.
6. **Infrastructure.** Water, sewage disposal, utilities, roads, and other infrastructure needed to serve new development are limited in many of the unincorporated areas. Extension of public infrastructure to serve development may require annexations through the Local Agency Formation Commission (LAFCO) and can be very expensive. Onsite water, wastewater, and other infrastructure systems are also very expensive and require additional permits from local and state agencies to establish. In many cases, the lack of infrastructure makes housing development infeasible.

While housing is a critical need in our community and throughout the state, all housing developments are not desirable. It is a difficult task to identify areas where development is appropriate and remove constraints to development in those areas. In other areas, there are resources and locational factors that call for policies that discourage development or require increased levels of reviews and protections.

Referral No. 2024.17 requests the Board implement a policy requiring an assessment of potential housing economic impacts on residents in the legislative decision-making process. HCD has direct oversight over the majority of governmental constraints to housing development (zoning, permits, affordability requirements), but other agencies may also play a role (e.g., health requirements, infrastructure, and impact fees). HCD does not have the expertise to perform an economic assessment on the quantitative impacts of ordinances on housing prices. If the desire is to have an assessment of this kind, this would slow the pace of ordinance development and would require the creation of new positions with appropriate expertise to perform such analysis or the use of consultants. HCD does have the ability to provide a qualitative assessment of ordinances prepared by HCD for potential impacts on housing development. This analysis is recommended to be mirrored after the other templated sections of staff reports (like the Financing section or Strategic Initiatives sections -See below).

To illustrate what a qualitative analysis of housing impacts of ordinances could look like, a new section of this Board report titled "Housing Impacts" is included below. HCD staff recommends that the Board consider including an analysis, as illustrated below, in staff reports associated with new or modified land use policies and regulations brought forward by HCD.

**HOUSING IMPACTS:**

- Reduces constraints on Housing Development
- Increases constraints on Housing Development
- Neutral

The proposed policy to consider impacts of new or modified land use regulations on housing development would potentially reduce constraints to housing by making the Board and public aware of the impacts before acting on the development. This will aid in avoiding implicit or unintended consequences of land use decisions on housing development and costs.

OTHER AGENCY INVOLVEMENT:

This report has been prepared by HCD. It is anticipated that HCD would review only those legislative changes that HCD brings forward in response to this referral. If the Board desires additional agencies or departments to include a Housing Impact analysis, HCD can make the staff report template available for use by others. If HCD is asked to consult on the analysis in every case, this would be an added duty within the Planning Division. The Planning Division is ill equipped with staffing resources to absorb such duties at this time and additional resources would be required.

FINANCING:

As recommended, there will be no impact on the general fund. A qualitative analysis and summary of housing impacts of new ordinances would be prepared by staff assigned to long-range planning functions. If a quantitative economic analysis is desired, there would be an estimated impact to the general fund of approximately \$200,000 annually for new staff or consultants with appropriate expertise. Additionally, if the Board desires that HCD consult on all new ordinances and regulations within the County to determine potential impacts on housing development, there would be an estimated general fund impact of approximately \$177,000 annually for new staff to assist with carrying out added duties within the planning division of HCD.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The proposed policy supports the Board's Economic Development, Health & Human Services, and Administration, initiatives by providing additional information to the Board and the public on the housing development consequences of new or modified land use regulations.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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The following attachments are on file with the Clerk of the Board:

Attachment A - Referral No 2024.17