



# Monterey County

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## Board Report

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- a. Receive a report on how Monterey County is fulfilling the goals of the 2015-23 Housing Element; and,
- b. Consider a short-term plan on how the County will prepare to utilize new State housing laws and resources and implement other local strategies.

### **RECOMMENDATION:**

It is recommended that the Board of Supervisors:

- a. Receive a report on how Monterey County is fulfilling the goals of the 2015-23 Housing Element; and,
- b. Consider a short-term plan on how the County will prepare to utilize new State housing laws and resources and implement other local strategies.

### **SUMMARY:**

In January 2018, Chair Luis A. Alejo submitted a referral, #2018.03, "To provide an update on how Monterey County is fulfilling its obligations under the 2015-2023 Housing Element Goals; and second, receive a report on a 2-3-year short-term plan on how Monterey County will prepare for and utilize the new State Housing Grant Funds provided by Senate Bill 2 and proposed Senate Bill 3 laws and resources to implement other local strategies." Provide direction to housing staff on how to proceed in preparation for new grant funds and be prepared to apply for all eligible housing grants.

Housing Element goals are based largely on Regional Housing Needs Allocation (RHNA) numbers issued by the State and proportioned by the regional council of governments. Housing element goals are designed to reduce/remove barriers to allow for housing to be developed. Housing development is driven by market forces. The County is obligated to report annually to the California Department of Housing and Community Development (HCD) on its progress meeting the Housing Element goals. Monterey County's annual report was presented to the Board of Supervisors on May 15, 2018, along with an update on the general plan implementation program.

### **DISCUSSION:**

There are two parts to addressing this referral: first, the status of meeting the goals of the 2015-23 Monterey County Housing Element (HE). The second is the short-term 2-3-year plan on how the County will plan to utilize the proposed new funding laws and resources. To assist in this presentation staff has compiled several attachments that will be specific to the areas of discussion. Attachment 1 addresses the Monterey County Housing Element and the RHNA listed in the Monterey County Housing Element.

On May 20, 2016, HCD certified the 2015-2013 Monterey County Housing Element, which outlines

how the County will fulfill its RHNA obligation. The RHNA numbers provided by the Association of Monterey Bay Governments (AMBAG) and listed in the County of Monterey Housing Element is 7,250 units spread over the 13 land use jurisdictions in Monterey County are summarized in **Attachment 1, Housing Element and Regional Housing Needs Assessment**. As of December 2016, AMBAG jurisdictions had produced 572 units, or less than 8% of the units allocated and leaving a remaining obligation of approximately 6,678 total units. Monterey County's RHNA share of the 7,250 units is 1,551, including 374 very low, 244 low, and 282 moderate-income units. In addition, **Attachment 2, titled Affordable Housing Pipeline** details a mix of approved and proposed projects that could yield approximately 460 occupancy restricted units.

**Attachment 3, Opportunity Locations for High Density Residential Development** is a high-level summary of the three Affordable Housing Overlay (AHO) areas identified in the GP, the 21 Opportunity Sites identified in the 2015 Housing Element (HE), and eight additional locations that have been identified because of current or pending land use applications, brought to the attention of Supervisors by constituents, or identified by staff. This attachment provides a rough assessment of the development potential of these locations. Issues identified in this attachment, land use designations that are inconsistent with development within an AHO, floodplain / floodway, property control, and obvious environmental conditions. It is important to note that the General Plan allows property owners in the three AHO overlay areas to choose to develop the property at the density allowed by the land use designation or the AHO overlay without seeking a zoning change. To minimize the potential for challenges inherent in any discretionary action, it is important that properties within the AHO overlay areas have zoning that supports development as affordable housing.

The second portion of this update includes the signature element of the Board Referral of a two to three-year plan to maximize the County's production of affordable housing and qualify, to the greatest extent possible, new sources of financing for occupancy restricted housing. There are two factors that will dictate the County's success producing affordable housing and capturing the maximum amount possible from the new funding sources. To better understand the opportunities and challenges associated with the developing and managing a sustainable stock of occupancy restricted housing it is helpful to understand the current landscape. **Attachment 4, Fast Facts About Affordable Housing in Monterey County**, provides a quick snapshot of where affordable housing is located, how it is financed, and who is building it in Monterey County.

The first factor is the changing legal landscape around housing and land use. In September 2017, the California State Legislature passed, and Governor Brown signed, 14 pieces of legislation related to the construction and reporting of housing statewide. These laws can be broadly grouped into three categories: Streamlining Housing Development; Accountability and Enforcement; and, Create and Preserve Affordable Housing. **Attachment 5, California's 2017 Legislative Housing Package**, provides a summary of the new laws and what aspect of housing development they address. Two pieces of legislation: SB2, the Building Jobs and Homes Act; and, SB3, the Veterans and Affordable Housing Bond Act, either establish an ongoing source of revenue of the construction to affordable housing or authorize a one-time \$4 billion bond to finance affordable housing to be put before the voters in November 2018. HCD does not anticipate that proposals for the first round of SB2 funds will be issued before late 2018 and the first funding announcements in the Spring of 2019.

**Attachment 6, SB2 - Building Jobs and Homes Act & SB3 - Veterans and Affordable Housing**

Bond Act, provides more information on new funding opportunities for occupancy restricted housing.

The Economic Development Department has also fielded questions from the community about applying Senate Bill 35 to specific development proposals. SB35 streamlines the approval process for developments in communities that have not met their Regional Housing Needs Assessment (RHNA) targets and met certain requirements. It appears that some parcels in the unincorporated areas of the County will not qualify for SB35 streamlining due to the existing zoning, environmental considerations or not being in urbanized areas.

### **2-3 year short term plan to prepare for future funding**

During the next 3 years' staff proposes to undertake a two-part strategy toward supporting the development of occupancy restricted housing in the short-term (3-4 years) and long-term (more than 5 years). The short-term strategy will probably unfold along the following schedule and **Attachment 7, Three Year Plan for Affordable Housing**, expands on the activities or issues that will be addressed in the following bullet points:

Year One -

- Identify parcels with the greatest potential for rapid residential development.
- Align County planning documents and ordinances to facilitate residential development.

Year Two -

- Entitle the parcels with the greatest potential for rapid residential development.

Year Three -

- Begin construction of new residential units.
- New residential units are occupied.

The long-term strategy focuses on developing a regional approach to addressing the County's need for occupancy restricted housing. The long-term strategy has two components. The first component looks at what the County can do independently to increase the supply of occupancy restricted housing using its resources. These activities include proactively aligning the various land use documents regulating land use, such as the 2010 General Plan, the 2015-23 Housing Element, and the Inclusionary Housing Ordinance to minimize discretionary actions that may result in legal challenges; proactively working with cities and willing property owners to develop affordable housing within cities where there are services and to encourage city-centered growth. If directed by the Board, County staff can inventory County-owned property and assess what may be needed for County operations. Excess County property within cities could be considered for disposition to affordable housing developers.

The second component focuses on developing a countywide solution to developing occupancy restricted housing. Key aspects of a regional approach will include a legislative solution to allow one RHNA allocation for the 13 land use jurisdictions that make up Monterey County; increasing the amount of local funding available to subsidize these housing units; and inventorying publicly owned

properties that may be appropriate for developing occupancy restricted housing. **Attachment 8, Menu of Activities the County Can Undertake to Support the Development of Occupancy Restricted Housing**, provides an incomplete list of things that the County can proactively undertake if funding is available.

The Board of Supervisors has many options that it can direct staff to undertake to support the development of affordable housing and get ready for future funding opportunities. To best position occupancy restricted projects to compete for SB2, and hopefully, SB3 funding, projects need to be shovel ready. To prepare the opportunity locations that have been discussed in the various attachments, the Board of Supervisors will need to fund:

- 25% FTE - County Counsel
- 100% FTE - New Housing and Redevelopment Analyst
- 50% FTE - Advance Planner

**OTHER AGENCY INVOLVEMENT:**

County Counsel, the Resource Management Agency and select non-profit housing developers have reviewed contributed to this report and the attachments.

**FINANCING:**

According to HCD, the funding associated with Senate Bill 2 will not be available until at least the late Spring of 2019. Therefore, any planning or development activities to support the development of occupancy restricted housing undertaken by the County over the next 12-18 months must be internally financed. These costs will probably not be reimbursable once SB2 funding is available.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

The Board of Supervisors has identified the need for all types of housing; affordable, emergency, supportive, temporary and transitional; as an essential element to improving the economic, physical and social health of Monterey County. Accessing new sources of state funding and adopting policies to implement state housing laws will support the following Board of Supervisors Strategic Initiatives:

- X Economic Development
- X Administration
- X Health & Human Services
- \_\_ Infrastructure
- \_\_ Public Safety

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Attachments:

Board Report

Attachment 1 - Housing Element and Regional Housing Needs Allocation

Attachment 2 - Affordable Housing Pipeline

Attachment 3 - Opportunity Locations for High Density Residential Development

Attachment 4 - Fast Facts About Affordable Housing in Monterey County

Attachment 5 - California's 2017 Legislative Housing Package

Attachment 6 - SB2 - Building Jobs and Homes Act & SB3 - Veterans and Affordable Housing  
Bond Act

Attachment 7 - Three Year Plan

Attachment 8 - Menu of Activities the County Can Undertake to Support the Development of  
Occupancy Restricted Housing

Attachment 9 - Board Referral Housing Element Update and Plan