



County of Monterey

Item No.

Board Report

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

Legistar File Number: 25-838

December 09, 2025

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- a. Recommend setting rents for tenants at Kents Court at 30% of income for households earning up to 110% of Area Median Income, adjusted for household size, or 35% income for households earning more than 110% of AMI, adjusted for household size, based on annual tenant certified incomes, less a reasonable utility allowance.
- b. Authorize staff to amortize rent increases over a four-year period for tenants of Kents Court that will experience rent increases greater than 15% due to the rent policy based on certified household incomes.

It is recommended that the Board of Supervisors:

- a. Recommend setting rents for tenants at Kents Court at 30% of income for households earning up to 110% of Area Median Income, adjusted for household size, or 35% income for households earning more than 110% of AMI, adjusted for household size, based on annual tenant certified incomes, less a reasonable utility allowance.
- b. Authorize staff to amortize rent increases over a four-year period for tenants of Kents Court that will experience rent increases greater than 15% due to the rent policy based on certified household incomes.

SUMMARY:

The recommended change to the Kents Court rent structure will bring rents into alignment with the requirements of Section 50052(b) of the California Health and Safety Code. If approved by the Board of Supervisors, rents at Kents Court will increase by an average of 51%, spread out over four calendar years (2026 through 2029). Because there are income restrictions recorded on the individual Kents Court units, changes to maximum rents are exempt from the limits imposed by AB1482.

DISCUSSION:

Kents Court is a 19-unit manufactured home community owned by the County and located in Pajaro. The County took ownership of the community in 2010, in-lieu of foreclosing on a loan by the Redevelopment Agency of the County of Monterey (the Agency) to South County Housing (SCH). The Agency loan and California Housing Finance Agency (CalHFA) loan were used to purchase the manufactured units and make necessary site improvements. SCH made the required payments for the Agency to retire the CalHFA debt, but the income stream from rents was insufficient to repay the Agency's loan. This was planned for and the County intended to use the units to provide temporary relocation housing in support of code enforcement. However, the code enforcement effort never took off, and the units became part of the permanent housing stock. At the time that the units were purchased, occupancy was restricted to households earning no more than 80% of Area Median Income (AMI), adjusted for household size. This recorded restriction remains in place and meets the requirements of Section 50093 of the

California Health and Safety Code, which exempts Kents Court from the rent increase limits of AB 1482.

The rents for Kents Court were initially established in 2005, they assumed that tenant households would be lower income, earning 60% of AMI. When the County last conducted the annual income certification (February through April 2025), it was found that only 7 of the 18 tenants were earning at or below the 60% of AMI target used to establish the rent schedule. Five households had incomes between 60% and 80% AMI and are considered lower income. Five households were classified as moderate-income, with household incomes of between 110% and 120% of AMI. One household has annual income that places it in the County's Workforce 2-income category at more than 160% of AMI. Because of the disparity in household incomes, the amount households are now paying in rent varies from 9% to 83% of annual household income.

The County currently charges \$951 for a 2-bedroom unit and \$1,089 for a 3-bedroom unit. For purposes of establishing a reasonable utility allowance, the County relies on the Housing Authority for Monterey County's (HACM) Housing Choice Voucher Program, Allowances for Tenant-Purchased Utilities and Other Services - Detached House. The HACM prepares this allowance annually. Kents Court tenants receive utility allowance credits for electric heating, electric cooking, electric water heater, range and refrigerator. For calendar year 2025, this equates to \$356 per month for a 2-bedroom unit and \$468 for a 3-bedroom unit. This makes the housing cost for a 2-bedroom unit \$1,307 and \$1,557 for a 3-bedroom unit.

Additionally, rent increases have only been about 0.5% annually, which has not kept pace with either market rents or even the restricted rents allowed by the County's Inclusionary Housing Ordinance or the state Multifamily Housing Program. These programs establish affordable housing costs of \$1,953 for a two-bedroom unit and \$2,256 for a 3-bedroom unit for households earning 60% of AMI. The County's Inclusionary housing cost for a 2-bedroom, Workforce 2 unit is \$4,938 per month.

Section 50053(b) of the California Health and Safety Code generally defines an affordable rent, "including a reasonable utility allowance" as 30% of income for households earning up to 110% of AMI. Staff recommends setting rents at 30% of the certified annual household income less the utility allowance, for households at up to 110% of AMI, and 35% for households above 110% of AMI. If the Board approves this change, the average change in rent will be \$592 per month and the median change will be \$487. The amount individual monthly rents will change varies from a decrease of \$846 to an increase of \$3,559 increase. Households earning above 110% of AMI will receive the largest increases, bringing them closer to market rate housing costs.

In January 2020, AB1482 (aka the Tenant Protection Act) took effect, restricting the amount landlords can increase rent to 5% plus the cost of living, or 10%, whichever is lower, annually. However, as noted above, the Kents Court units are exempt from AB1482 due to their affordable deed restrictions.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

The Health, Housing, Homelessness, and Human Services Committee received this report on

October 20, 2025. The Housing Advisory Committee received this report on October 22, 2025. Both bodies expressed concern that large rent increases would be challenging for the Kents Court tenants to absorb all at once and directed staff to look at phasing the increases over multiple years. Staff considered this direction and recommends that the rent increases exceeding 15% be phased in over four-years. If the Board accepts this recommendation, monthly rents will increase once annually by between \$49 and \$890, with an average increase of \$254, in each of the next four-years. Attachment A includes information on the average rent changes and the annual adjustments based on income level and unit size.

HOUSING IMPACTS:

- ☐ Reduces constraints on Housing Development
- ☐ Increases constraints on Housing Development
- ☒ Neutral
- ☐ Not applicable [N/A]

The proposed rent increase for Kents Court will provide additional operating income. This will provide additional financial stability for the property and build a reserve for scheduled and extraordinary maintenance of this County-owned residential complex. Other options for using any rental income not required for reasonably foreseeable maintenance requirements at Kents County may be used to capitalize the Monterey County Local Housing Trust Fund with approval by the Board of Supervisors.

Higher income residents of Kents Court may voluntarily relocate as their rents move closer to market rates. If this occurs, units will become available for income qualified households currently priced out of the market.

FINANCING:

There is no impact on the General Fund. Kents Court has been generally self-supporting since the County acquired it in 2010. The exception to this, was the extraordinary relocation expenses incurred by the County in 2023, that were the result of a planned renovation and the 2023 Pajaro River flood event. Revenue and expenses related to Kents Court are budgeted in Fund 175, Budget Unit 8547, Appropriations Code HCD006. Adopting the rent increase and utility allowance schedule as recommended could decrease rent collections by \$5,300 in the first year but increase them by more than \$107,000 once deferred increases are implemented after four-years.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

Adoption of the staff recommendation will provide additional financial stability for the only County-owned affordable housing without requiring additional support from the General Fund. The recommendation will also make housing more affordable for the lowest income families at Kents Court by tying the amount of their rent to their household income.

- ☒ Well-Being and Quality of Life
- ☒ Sustainable Infrastructure for the Present and Future
- ☐ Safe and Resilient Communities
- ☐ Diverse and Thriving Economy
- ☐ Dynamic Organization and Employer of Choice

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

Attachment A - Sample Rent Adjustments

Attachment B - Summary of Rent Adjustment Options

Attachment C - Agreement Containing Covenants Affecting Housing - Kents Court