

County of Monterey

County of Monterey Government Center
1441 Schilling Place
Salinas, CA 93901



Meeting Agenda - Final

SPECIAL MEETING

Wednesday, April 10, 2024

5:00 PM

1441 Schilling Place, 2nd Floor, Salinas, CA 93901

Thyme Room

Housing Advisory Committee

IMPORTANT NOTICE REGARDING PARTICIPATION IN THE HOUSING ADVISORY COMMITTEE MEETING

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In addition to attending in person, public participation will be available by ZOOM and/or telephonic means:

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Enter this Meeting ID number 945 7632 9233 when prompted.

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La medida recomendada indica la recomendación del personal en el momento en que se preparó la agenda. Dicha recomendación no limita las acciones alternativas del Comité de Asesor de Vivienda del Condado de Monterey sobre cualquier asunto que se le haya sometido.

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Los comentarios públicos recibidos antes de las 5:00 p.m. del martes anterior a la reunión del Comité de Asesor de Vivienda del Condado de Monterey se distribuirán al Comité de Asesor de Vivienda por correo electrónico.

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Participate via Phone: 1-669-900-6833

Meeting ID Access Code: 945 7632 9233

Password (if required): 143264

5:00 P.M. - CALL TO ORDER**ROLL CALL**

Jose Luis Barajas - Chair - District 1
Virginia H. Mendoza - Vice-Chair - District 1
Sandi Austin - District 2
Cary Swensen - District 4
Peter Said - District 4
Mitch Winick - District 5

PUBLIC COMMENT

The Housing Advisory Committee (HAC) will receive public comment on non-agenda items within the purview of the HAC. The Chair may limit the length of individual presentations.

AGENDA ADDITIONS, DELETIONS AND CORRECTIONS

The Committee Clerk will announce agenda corrections, deletion and proposed additions, which may be acted on by the Housing Advisory Committee as provided in Section 54954.2 of the California Government Code.

APPROVAL OF MINUTES

1. Approve the December 21, 2022 and March 13, 2024 Draft Action Minutes.

[24-269](#)

Attachments: [HAC Draft Minutes 12.21.22](#)
 [HAC Draft Meeting Minutes - 3.13.24](#)

SCHEDULED MATTERS

2. a. Receive a developer variance request for compliance with the Inclusionary Housing Ordinance and 2010 General Plan Land Use Policy LU-2.13, and
 b. Make a recommendation to the Monterey County Planning Commission on the applicant's request.

[24-270](#)

Attachments: [Staff Report](#)
 [Attachment A - PLN210223 Gard Developer Request](#)
 [Attachment B - PLN210223 Gard Developer Request](#)
 [Attachment C - PLN210223 Gard Developer Request](#)

3. a. Receive a report on information previously requested from the development community; and
 b. Consider discussion points for a follow up meeting with the development community.

[24-271](#)

Attachments: [Staff Report](#)
 [Attachment A - AH Developer Stakeholder Meeting Minutes](#)
 [Attachment B - Market Rate Developer Meeting Minutes](#)
 [Attachment C - MCLHTF Design Questionnaire](#)
 [Attachment D - Development Considerations](#)
 [Attachment E - Staff Questions](#)

OTHER MATTERS

COMMITTEE COMMENTS, REQUEST AND REFERRALS

This is a time set aside for the members of HAC to comment, request, or refer a matter that is on or not on the agenda. At this time, members may also request that an item be added to a future HAC agenda.

DEPARTMENT UPDATE

ADJOURNMENT

NEXT SCHEDULED MEETING

Joint Meeting with Health, Housing & Human Services Committee (HHHSC) - Monday,
May 6, 2024



County of Monterey

Item No.1

Board Report

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

Legistar File Number: 24-269

April 10, 2024

Introduced: 4/4/2024

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Approve the December 21, 2022 and March 13, 2024 Draft Action Minutes.

County of Monterey

County of Monterey Government Center
1441 Schilling Place, Salinas, CA 93901
Via Teleconference/Zoom



Meeting Minutes - Draft

SPECIAL MEETING

Wednesday, December 21, 2022

5:00 PM

1441 Schilling Place

Salinas, CA 93901

Via Teleconference/Zoom

Housing Advisory Committee

Tyller Williamson - Chair

Jordan Caballero - Vice-Chair

Darby Marshall - Secretary

5:00 P.M. - CALL TO ORDER

Chair was absent; therefore, Vice Chair Caballero called the meeting to order at 5:02 p.m.

ROLL CALL

Members Present: Sandi Austin, Jordan Caballero, Raul Calvo, Virginia Mendoza, Cary Swensen, Wes White

Members Absent: Esther Malkin, Tyller Williamson, Jon Wizard

Staff Present: Sean Collins, Erik Lundquist, Darby Marshall, Anita Nachor, Craig Spencer

Others Present: Alyssa Kroeger (MBEP)

PUBLIC COMMENT

There were no public comments to the agenda.

AGENDA ADDITIONS, DELETIONS AND CORRECTIONS

There were no agenda additions, deletions, and corrections to the agenda.

APPROVE CONSENT AGENDA

- 1.** Adopt AB 361 Finding to continue remote Housing Advisory Committee meetings, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; that the Housing Advisory Committee has reconsidered the circumstances of the state of emergency; and that the Monterey County Health Department continues to recommend that physical and social distancing strategies be practiced in Monterey County, which includes remote meetings of legislative bodies of local agencies, to the extent possible. [22-1179](#)
- 2.** Approve November 9, 2022, Draft Action Minutes. [22-1186](#)

Action: A motion was made by Committee Member Caballero to approve the consent agenda. Committee Member Swensen seconded the motion.

AYES: Austin, Caballero, Calvo, Mendoza, Swensen, White

NAYS: None

ABSENT: Malkin, Williamson, Wizard

ABSTAINED: None

Motion Passed – 6-0

Public Comment: None

SCHEDULED MATTERS

3. Consider a recommendation to the Board of Supervisors on revisions to the County's 2010 General Plan, Inclusionary Housing Ordinance (Chapter 18.40 of the Monterey County Code) and administrative manual addressing applicable projects, affordability requirements, terms of affordability and exemptions.

[22-1184](#)

Action: A motion was made by Committee Member Calvo to accept staff recommendation. Which is to apply the ordinance to all projects that result in one or more new units per existing lot of record and that projects of less than twenty units may satisfy their obligations by paying an in-lieu fee by right and that farmlands or grazing lots that are not less than 40 units may also satisfy their obligation by payment of an in-lieu fee. Committee Member Mendoza seconded the motion.

AYES: Austin, Caballero, Calvo, Mendoza, Swensen

NAYS: White

ABSENT: Malkin, Williamson, Wizard

ABSTAINED: None

Motion Passed – 5-1

Public Comment: None.

4. a. Receive a staff presentation on the Housing Element Sixth Cycle Update (2023-31);
b. Consider the General Plan Elements Update Community Engagement Plan; and
c. Provide input to staff.

[22-1166](#)

Project Location: Unincorporated County of Monterey

Proposed CEQA Action: Statutory Exemption pursuant to Section 15262 of the CEQA

No motion required. The presentation on the Housing Element Sixth Cycle Update (2023-31) and Consider the General Plan Elements Update Community Engagement Plan was received by the Committee. Discussion Held. Receive and File.

Committee Member Caballero requested that HAC Members receive a copy of the Overview of General Plan Elements Updates Presentation

OTHER MATTERS

There were no other matters on this agenda.

COMMITTEE COMMENTS, REQUEST AND REFERRALS

There were no committee comments, request, and referrals on this agenda.

DEPARTMENT UPDATE

Darby Marshall gave an update that the county received notice that we did not receive the local housing trust fund matching grant. The county does have 3 cities that delegated authority to the county to apply for permanent local housing allocation of grant funds on their behalf. Because of the delegated authority the county has 3.8 million dollars to match, then return to the State in April or May to reapply for the State Local Housing Trust Fund.

With any luck, next application that the county provides to the state will be more successful and have additional money available to support affordable housing. The county will also be reaching out to the other cities to engage their interest in participating in the State Local Housing Trust Fund.

ADJOURNMENT

Vice-Chair Caballero moved to adjourn. The meeting was adjourned at 6:01 p.m.

NEXT SCHEDULED MEETING:

January 11, 2023

County of Monterey

County of Monterey Government Center
1441 Schilling Place
Salinas, CA 93901
Thyme Room



Meeting Minutes - Draft

Wednesday, March 13, 2024

5:00 PM

**1441 Schilling Place, 2nd Floor, Salinas, CA 93901
Thyme Room**

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Meeting ID Access Code: 9509344 5634

Password (if required): 600647

5:00 P.M. - CALL TO ORDER

Chair Barajas called the meeting to order at 5:08 p.m.

ROLL CALL

Members Present: Jose Barajas, Cary Swensen, Mitch Winick (arrived at 5:05 p.m.), Peter Said

Members Absent: Sandi Austin, Virginia H. Mendoza, Flavio Diaz Torres

Staff Present in Person: Darby Marshall, Anita Nachor

Staff Present in Zoom: Dawn Yonemitsu, Reed Gallogly, Craig Spencer

PUBLIC COMMENT

There were no public comments to the agenda.

AGENDA ADDITIONS, DELETIONS AND CORRECTIONS

There were no agenda addition, deletions and corrections to the agenda.

APPROVAL CONSENT AGENDA

1. Approve the January 10, 2024 Draft Action Minutes.

[24-194](#)

Action: A motion was made by Committee Member Winick to approve the January 10, 2024 minutes. Committee Member Swensen seconded the motion.

AYES: Barajas, Said, Swensen, Winick

NAYS:

ABSENT: Austin, Diaz Torres, Mendoza

ABSTAINED:

Motion Passed - 4-0

Public Comment: None

SCHEDULED MATTERS

2. Review and discuss the 2024 Housing Pipeline Report.

[24-195](#)

No motion required. The Committee received and discussed the report on the 2024 Housing Pipeline and provided direction to staff. Discussion Held. Receive and File.

Public Comment: None

3. Review and forward the 2023 Housing Element Annual Progress Report to the Board of Supervisors.

[24-196](#)

**No motion required. The Committee received and discussed the report on the 2023 Housing Element Annual Progress and provided direction to staff.
Discussion Held. Receive and File.**

Public Comment: None

OTHER MATTERS

There were no other matters on this agenda.

COMMITTEE COMMENTS, REQUEST AND REFERRALS

Committee Member Said requested Referrals below:

- 1. Request that a database be established with County owned properties with probability and costs.**
- 2. Requests that Economic Development Department provide a presentation to the Housing Advisory Committee (HAC).**
- 3. Requests a report on date on new units versus conversions.**
- 4. Request a presentation from Economic Development in the Developer discussion.**
- 5. Requests that Doug Yount make a presentation as a developer to the HAC. Mr. Yount understands the processes with the County.**

Chair Barajas requested the Referrals below:

- 1. Request to invite developers to include for profit/non-profit to present to a future (HAC) meeting to share insights as to what their challenges are and how the County can work with them to streamline the process.**
- 2. What can the Housing Advisory Committee (HAC) approve? What is the HAC's purview?**

Housing Referrals

DEPARTMENT UPDATE

2024 Work Plan

NEXT SCHEDULED MEETING:

April 10, 2024 Special Meeting

ADJOURNMENT

Chair Barajas moved to adjourn. The meeting was adjourned at 7:02 p.m.



County of Monterey

Item No.2

Board Report

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

Legistar File Number: 24-270

April 10, 2024

Introduced: 4/4/2024

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Receive a developer variance request for compliance with the Inclusionary Housing Ordinance and 2010 General Plan Land Use Policy LU-2.13, and
- b. Make a recommendation to the Monterey County Planning Commission on the applicant's request.

..Title

- a. Receive a developer variance request for compliance with the Inclusionary Housing Ordinance and 2010 General Plan Land Use Policy LU-2.13, and
- b. Make a recommendation to the Monterey County Planning Commission on the applicant's request.

RECOMMENDATION:

It is recommended that the Housing Advisory Committee:

- a. Receive a developer variance request for compliance with the Inclusionary Housing Ordinance and 2010 General Plan Land Use Policy LU-2.13, and
- b. Make a recommendation to the Monterey County Planning Commission on the applicant's request.

SUMMARY:

County planning staff is processing an application for a new subdivision in Boronda, Greater Salinas Area. The subdivision involves dividing a 4-acre parcel into 17 new residential lots and one remainder lot. The subdivision is required to comply with the County's Inclusionary Housing Ordinance and the 2010 General Plan Land Use Policy LU-2.13, which collectively require 20% of the units be Inclusionary and 5% be workforce, or 1 low-income, 2 moderate-income, and 0.75 workforce units, based on 15 net new developable lots being created. The applicant has requested that all three units be moderate-income.

The Housing Advisory Committee is being asked to review the applicant's request and recommend the appropriate Condition of Approval for this project to comply with the intent and letter of the County's Inclusionary Housing Ordinance and General Plan Land Use Policy LU-2.13.

Staff recommends that the applicant be allowed to provide 3 moderate-income units as part of the subdivision and pay an in-lieu fee of \$35,266 for the 0.75 workforce unit required.

DISCUSSION:

The proposed project to subdivide an existing lot, with an existing home, in to 17 residential lots will create 16 new residential lots. The inclusionary calculation results in fractional very low- and low-income units. Fractional units are added to the next highest affordability level to result in a whole unit. The process is repeated until either all fractional units have been converted to whole units or there is a remaining fractional unit that the applicant may either build at the highest affordability level or pay a fractional unit in-lieu fee. The inclusionary calculation and "waterfall" are shown in Attachment A. The applicant has proposed constructing three moderate-income homes instead of the calculated 0-1-2-1 units as required. The applicant believes that the County's affordable housing model shows that building very low- and low-income for sale homes is not economically viable.

As part of the Inclusionary Housing Ordinance update, the County is evaluating its affordable housing cost model. The most significant difference between the models are the inclusion of utility allowances and property taxes; increased allowances for homeowner associations, insurance, and maintenance; and, mortgage rates that are adjusted based on current rates, as part

of the monthly income available for housing. The inclusion of the homeownership costs significantly reduces the amount a household has available to support a mortgage. Attachment A shows the housing cost calculations for a hypothetical 900 square foot unit under the current and proposed methodologies and with different rates based on HOA costs. Attachment B shows the calculations for the affordable sale prices for various sized bedroom units at the very low-, low-, and moderate-income affordability levels and interest rates. As shown in Attachment B, under the current and proposed affordability models, the applicant will probably have a profit on most low-income units, if interest rates do not exceed 4%, but lose money on very low-income units.

Assuming the applicant built a 2-bedroom low-income unit, a subsidy of \$95,600 would be required to cover the difference between the cost of construction and the affordable sales price. This subsidy could be considered an impediment to housing development. Staff concurs with the applicant that the construction of very low- and low-income for sale inclusionary units is not financially viable that that they should be allowed to construct three moderate-income for sale units to meet the inclusionary housing requirements for this project.

At the time this staff report was prepared, the applicant had not indicated how they would meet this requirement the applicant had not indicated that they would construct the workforce unit. However, the applicant's representative has challenged the validity of the County's 25% affordability requirement in two previous development applications. Their argument is that the requirement constitutes an, unanalyzed, impediment to housing development. The applicant has referred to a letter from the State of California, Department of Housing and Community Development, which specifically addresses the requirements of LU-1.19 and does not apply directly to this application, in which HCD opines that the County has not sufficiently analyzed the potential impacts of requiring developers to provide more than 20% affordability.

Currently staff believes that HCD has misinterpreted the intent of LU-1.19 and LU-2.13. The technical assistance that HCD provided the applicant indicated a 35% inclusionary requirement. Staff believes that HCD will revise their technical assistance to reflect the correct 20% inclusionary requirement, which has been analyzed, is not an impediment to housing development. Staff further believes that because the workforce requirement is for above moderate-income housing, the Regional Housing Needs Allocation (RHNA) affordability level, and the County has consistently issued the required number of permits for this affordability level, it does not need to be separately analyzed and does not constitute an impediment to the development of housing.

Prepared by: Darby Marshall, Housing Program Manager, (831) 755-5391

Attachment: A: Inclusionary Housing & LU-2.13 Affordability Calculation
B: Inclusionary Housing Affordability Calculation
C: Inclusionary Housing Affordability Calculation at Various Interest Rates

Attachment A

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Ordinance 4815 Inclusionary Requirements + 2010 GP 5% Workforce Requirement
18.40.110.A. & B. - Calculation of Units Required at Specific Affordability Levels

	Percentage Required	Base Units / Requirement	Step One		Step 2		Step 3	
			"Unit Waterfall"	Required Units	"Unit Waterfall"	Required Units	"Unit Waterfall"	Required Units
Total Units								
Planned Units		17.00		17.00		17.00		17.00
Existing Units (per 18.40.050.A) - Allowed		-1.00						
Units for Calculation		16.00						
Workforce 1 Units	5%	0.80		0.80		0.80	0.20	1.00
Moderate Income Units	8%	1.28		1.28	0.92	2.20	-0.20	2.00
Low-Income Units	6%	0.96	0.96	1.92	-0.92	1.00		1.00
Very Low-Income Units	6%	0.96	-0.96	0.00		0.00		0.00
Required Units		4.00		4.00		4.00		4.00
In-Lieu Fee Calculation	Fee	Units						
Greater Salinas								
Partial Unit Only	\$ 47,021		\$	-				
All Units	\$ 47,021	4.00	\$	188,084				
Planning Area								
Partial Unit Only		0.00	\$	-				
All Units		0.00	\$	-				

Attachment B

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Moderate-Income 3 Bedroom Affordable Price	Current Inclusionary Calculation	Proposed Inclusionary Calculation w/HOA	Proposed Inclusionary Calculation w/o HOA
Income			
Benchmark Household Size	4	4	4
HCD Median Income by HH Size	\$100,400	\$100,400	\$100,400
% of HCD Median Income	110%	110%	110%
% of Income Allocated to Housing	35%	35%	35%
Income Allotted to Housing		\$38,650	\$38,650
Ongoing Expenses			
Utility Allowances		\$5,400	\$5,400
HOA/Insurance/Maintenance	\$954	\$3,600	\$1,500
Property Taxes @ 1.25% of Affordable Price		\$4,650	\$4,650
Total Expenses	\$954	\$13,650	\$11,550
Income Available for Mortgage	\$72,059	\$25,000	\$27,100
Affordable Housing Price			
Supportable Mortgage & 7.5% Interest Rate	\$397,552	\$298,000	\$323,000
Home Buyer Down Payment @ 10% of Affordable Price	\$44,172	\$37,200	\$37,200
Maximum Purchase Price	\$441,724	\$362,100	\$389,300
Estimated Development Cost	\$292,500	\$292,500	\$292,500
900 square foot unit @ \$325 per square foot			
Estimated Developer Profit/(Loss)	\$149,224	\$69,600	\$96,800

Attachment C

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Inclusionary Housing Affordability Calculations

Very Low-Income AMI <50%	Current Inclusionary Affordability	Profit / (Loss) @ Current Inclusionary	Affordable Sale Price @ 4%	Profit / (Loss) @ 4%	Affordable Sale Price @ 5%	Profit / (Loss) @ 5%
Studio			\$106,000	\$8,500	\$95,100	(\$2,400)
1-Bedroom	\$165,228	\$2,728	\$123,900	(\$38,600)	\$111,000	(\$51,500)
2-Bedroom	\$185,796	(\$41,704)	\$133,400	(\$94,100)	\$119,500	(\$108,000)
3-Bedroom	\$206,363	(\$86,137)	\$136,900	(\$155,600)	\$122,600	(\$169,900)
4-Bedroom	\$222,900	(\$134,600)	\$135,100	(\$222,400)	\$120,900	(\$236,600)

Low-Income AMI <80%	Current Inclusionary Affordability	Profit / (Loss) @ Current Inclusionary	Affordable Sale Price @ 4%	Profit / (Loss) @ 4%	Affordable Sale Price @ 5%	Profit / (Loss) @ 5%
Studio			\$173,300	\$75,800	\$155,400	\$57,900
1-Bedroom	\$264,297	\$101,797	\$200,600	\$38,100	\$180,000	\$17,500
2-Bedroom	\$297,377	\$69,877	\$220,000	(\$7,500)	\$197,200	(\$30,300)
3-Bedroom	\$330,285	\$37,785	\$233,100	(\$59,400)	\$209,000	(\$83,500)
4-Bedroom	\$356,853	(\$647)	\$239,000	(\$118,500)	\$214,200	(\$143,300)

Moderate-Income AMI <110%	Current Inclusionary Affordability	Profit / (Loss) @ Current Inclusionary	Affordable Sale Price @ 4%	Profit / (Loss) @ 4%	Affordable Sale Price @ 5%	Profit / (Loss) @ 5%
Studio			\$369,900	\$272,400	\$332,100	\$234,600
1-Bedroom	\$353,341	\$190,841	\$425,300	\$262,800	\$381,700	\$219,200
2-Bedroom	\$397,532	\$170,032	\$472,500	\$245,000	\$424,000	\$196,500
3-Bedroom	\$441,724	\$149,224	\$513,700	\$221,200	\$461,000	\$168,500
4-Bedroom	\$477,118	\$119,618	\$542,100	\$184,600	\$486,400	\$128,900

NOTES

Average Cost Per Square Foot is based on TCAC Reservations for New Construction projects in Monterey County between 2018 and 2023.

Affordable Rent and Affordable Sale prices use HACM Utility Allowances effective January 1, 2023 - December 31, 2024 for Apartments and Townhomes (Rent) or Detached House (Sale).

Median Incomes are as of June 2023.

Incomes less than 80% of AMI are considered lower and property owners may charge the HACM Fair Market Rent. This caps tenant monthly housing costs and the difference is paid by HACM through the Housing Choice Voucher program.

Inclusionary Housing Affordability Calculations

Very Low-Income AMI <50%	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @
	Price @ 6%	6%	Price @ 7%	7%	Price @ 8%	8%
Studio	\$85,800	(\$11,700)	\$78,000	(\$19,500)	\$71,400	(\$26,100)
1-Bedroom	\$100,200	(\$62,300)	\$91,100	(\$71,400)	\$83,300	(\$79,200)
2-Bedroom	\$107,800	(\$119,700)	\$97,900	(\$129,600)	\$89,500	(\$138,000)
3-Bedroom	\$110,600	(\$181,900)	\$100,400	(\$192,100)	\$91,800	(\$200,700)
4-Bedroom	\$109,000	(\$248,500)	\$98,900	(\$258,600)	\$90,300	(\$267,200)

Low-Income AMI <80%	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @
	Price @ 6%	6%	Price @ 7%	7%	Price @ 8%	8%
Studio	\$140,400	\$42,900	\$127,800	\$30,300	\$117,000	\$19,500
1-Bedroom	\$162,600	\$100	\$147,900	(\$14,600)	\$135,300	(\$27,200)
2-Bedroom	\$178,100	(\$49,400)	\$162,000	(\$65,500)	\$148,200	(\$79,300)
3-Bedroom	\$188,700	(\$103,800)	\$171,600	(\$120,900)	\$157,000	(\$135,500)
4-Bedroom	\$193,400	(\$164,100)	\$175,800	(\$181,700)	\$160,800	(\$196,700)

Moderate-Income AMI <110%	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @	Affordable Sale	Profit / (Loss) @
	Price @ 6%	6%	Price @ 7%	7%	Price @ 8%	8%
Studio	\$300,200	\$202,700	\$273,300	\$175,800	\$250,300	\$152,800
1-Bedroom	\$345,000	\$182,500	\$314,000	\$151,500	\$287,700	\$125,200
2-Bedroom	\$383,200	\$155,700	\$348,800	\$121,300	\$319,400	\$91,900
3-Bedroom	\$416,700	\$124,200	\$379,100	\$86,600	\$347,200	\$54,700
4-Bedroom	\$439,600	\$82,100	\$400,000	\$42,500	\$366,300	\$8,800

NOTES

Average Cost Per Square Foot (APF) is based on the 2023. Affordable Rent and APF for Apartments and Townhomes. Median Incomes are based on the 2023. Incomes less than 80% of the monthly housing cost.



County of Monterey

Item No.3

Board Report

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

Legistar File Number: 24-271

April 10, 2024

Introduced: 4/4/2024

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Receive a report on information previously requested from the development community; and
- b. Consider discussion points for a follow up meeting with the development community.

..Title

- a. Receive a report on information previously requested from the development community; and
- b. Consider discussion points for a follow up meeting with the development community.

RECOMMENDATION:

It is recommended that the Housing Advisory Committee:

- a. Receive a report on information previously requested from the development community; and
- b. Consider discussion points for a follow up meeting with the development community.

SUMMARY:

At its March 13, 2024, meeting the Housing Advisory Committee (HAC) requested staff set-up a roundtable with representatives from the residential development community. Subsequently, the Board of Supervisors Health, Housing, and Human Services Committee (HHHS), requested a meeting with the residential development community. The purpose of both meetings is to learn what barriers are keeping developers from building more dense, affordable by design, housing in unincorporated areas of Monterey County. The Supervisors sitting on the HHHS suggested that the HHHS and HAC convene one meeting. The Board members have suggested holding this meeting on Monday, May 5, 2024, beginning at 5:00 pm.

DISCUSSION:

The purpose of this study session is for the HAC to understand why the development community is not building more high density and affordable housing in the unincorporated areas of the County. Over the past two years the County has conducted extensive outreach with the development, property management, and renter communities to identify the challenges they face developing, managing, and finding adequate housing. As part of preparing the 6th Cycle Housing Element, the County convened meetings with different stakeholder groups. For purposes of this discussion the minutes from the Affordable Housing Developer and Market Rate Developer sessions are included as Attachments A and B. In January 2024, the County reached out to the affordable housing development community with questions specifically related to how the Monterey County Local Housing Trust Fund could best support their efforts. The questions are included as Attachment C.

To make the meeting with developers more productive, staff recommends:

- Keeping the discussion focused on development challenges and opportunities in the unincorporated areas of the County and not cities. This focus can be further broken down between when projects are undertaken in existing community areas or non-urbanized areas of the County that do not have access to water and sewer services.
- Working to identify specific concerns, and examples, of policies, practices, or regulations that are hindering the construction of housing.
 - The HAC can explore policies and practices of other agencies but with the understanding that the County cannot force these agencies to make changes.

FINANCING:

There is no impact on the General Fund associated with receiving this report or hosting a meeting with representatives from the development community.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Access to affordable housing is foundational to meeting most, if not all, of the Board's Strategic Initiatives.

Mark a check to the related Board of Supervisors Strategic Initiatives

X Economic Development

X Administration

X Health & Human Services

X Infrastructure

_ Public Safety

HAC ANNUAL WORK PLAN OBJECTIVES:

The proposed meeting with developers will help the HAC and Board of Supervisors understand the specific County policies and procedures that are considered to be impediments to the construction of housing and develop programs for the 5th Cycle Housing Element.

Prepared by: Darby Marshall, Housing Program Manager, (831) 755-5391

Attachment: A: AH Developer Stakeholder Meeting Minutes
B: Market Rate Developer Stakeholder Meeting Minutes
C: MCLHTF Design Questionnaire
D: Development Considerations
E: Staff Questions

Attachment A

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**Monterey County
Housing Element Update**



MEETING MINUTES

Name of Meeting: Affordable Housing Developers Stakeholder Meeting
Date of Meeting: January 31, 2023
Time: 3:00 PM
Location: Zoom Meeting
Subject: Housing Element Update - Challenges & Opportunities

Participant	Organization
Participant # 1	MidPen Housing
Participant # 2	Eden Housing
Participant # 3	CHISPA (Community Housing Improvement Systems and Planning Association, Inc.)
Melanie Beretti – County Staff	Housing and Community Development, Monterey County
Jaime S. Guthrie – County Staff	Housing and Community Development, Monterey County
Hitta Mosesman – Consultant	Harris & Associates
Kelly Morgan – Consultant	Harris & Associates

Have you considered, are currently undertaking or completed a project in unincorporated Monterey County? If so, what are some challenges and opportunities you face as a developer?

- Participant 3: Currently has subdivision developments in Castroville, East Garrison, and San Lucas. Some of the challenges have been via developing in the County you don't score for tax credit allocations or qualify for bond allocations. Dealing with the coastal commission, water constraints, and predevelopment costs for water and traffic have also been challenges. The opportunities and benefits of building in the County have been that the construction process has been smooth, however fee waivers and fee deferrals would be helpful. Entitlement has not been a major constraint and County staff has been extremely helpful. Development standards & processes on par with other projects
- Participant 1: No current projects in unincorporated Monterey County.
- Participant 2: Has completed projects in Salinas and Castroville. Some opportunities through HEU process could include addressing challenges with entitlement and finding sites that score amenity points. Constraints with water and the water districts vary but need to find a better way for Coastal Commission processing.

How much of a constraint is water and infrastructure in unincorporated Monterey County and the region? Are there any other specific constraints you would identify as being an impediment?

- Participant 3: Carmel Valley and down the central coast but can't build down there. Highest opportunity areas don't seem to be in most productive places.
- Participant 1: Avoid Big Sur for several reasons plus you wouldn't score for funding, cost, infrastructure, political, and it ultimately wouldn't pencil.
- Participant 3: Logistics don't work out.
- Participant 2: Look at amenity scoring; one thing to consider is anything set as rural might be opportunity to get distances for amenities; can identify in tax credits.
- Harris & Associates: Highest resources along with coastal area but seems like not enough to pencil since not within 1 mile of services.
- Participant 2: Natural barriers, often will look at the SB35 criteria for things to tick through. Fire is a big thing. Flood/fault can mitigate, but fire zones are hard to get insurance in.
- Harris & Associates: Does the water recycling program possibly open the door to developing more affordable housing?
- Participant 3: Knows that in Monterey and Carmel, using recycled water would probably help with the sea water intrusion argument for affordable housing.
- Participants 1 & 2: Water is a major constraint, lots of places you can't get a water allocation even in incorporated parts of the County.

What types of things can the County do to incentivize affordable housing projects (e.g., affordable housing overlays, zoning, fee deferrals, streamlining, etc.)?

- Participant 2: Funding as the capital stack for the LIHTC must include local money, especially in unincorporated area, it would be hard to pencil developments without local funding.
- Participant 3: On the 4% credits, Serna rural, MHP – urban projects, almost all have AHSC but doesn't qualify due to lack of train station. Other funding goes to county projects for 55 yr. projects. Pre-dev funding doesn't help too much but long-term funding like trust fund funding would help to create more housing.
- Participant 2: Zoning, always looking to develop as of right or ministerial approval and without environmental hurdles when appropriate, it cuts down the time to jump in and get funding.
- Participant 1: Agree, Santa Cruz was forced to get local land use approvals and it was due to the 2010 HEU that helped that. Also, if Monterey County can get a few sites that line up with high & highest resources, that would be great but it's not as critical as amenities.
- Harris & Associates: AFFH requires housing be spread throughout, but you are indicating it's not the end all?
- Participant 2: Correct. Highest resource is nice to have but not the end all.

What are your comments on market conditions (labor/construction costs, interest rates, etc.)?

- Participant 3: Costs are not an issue as of now, can find labor where before that was a problem. Lumber going down but with interest rates going up, construction/finance issues can handle. Political, entitlement, and allocation are harder issues to handle. Entitlement is not as difficult as the political issue in Monterey County. Seems like the desire for more housing is just not there as the County has been lagging behind for decades.

Opportunities for commercial (including parking lots) to residential conversions in unincorporated Monterey County.

- Participant 3: On the outskirts of Castroville or golf courses as they close down. A few years back Carmel Valley reduced use since courses require a lot of water. Infill not really a focus, the County need subdivisions – more Las Palmas and East Garrison like developments. There is no focus on the 50% affordable, need folks that can move, not enough market rate housing either.



- Participant 2: State has been issuing regulations on funding. Affordable housing is reliant on market rate. There is a need for more density.
- Harris & Associates: For the purposes of the HEU, some sites have to be 100% affordable since density bonus is not used as extensively.

Programs, procedures, or incentives in other cities or counties that have significantly facilitated housing development.

- Participant 2: On the ground knowledge to help guide and provide outreach. Besides money and zoning, helping to get in front of outreach efforts would help. When Santa Clara County was disposing of extra land, they did community outreach prior to developer coming on board to help make the process smoother.
- Participant 1: The biggest issue to work through is approvals - someone in planning familiar with issues for multi-family vs single family. Point person like a multi-family specialist.
- County Staff: We have a permit coordinator who tries to play the role, but we are asking to be reclassified as an ombudsman, might be in need of 2 individuals within the County. Looking to provide HEU support for more staff in the department.
- Harris & Associates: A lot of the programs involve establishing additional support for AH projects to run through the process quicker.
- Participant 1: In Santa Cruz County this tends to work well. The Planning Department tries to filter multi-family housing to people that have the familiarity and a point person to help them.

Creative housing solutions that would help the County facilitate the development of more housing/ affordable housing in unincorporated Monterey County.

- Participant 2: With market conditions, less bullish on land risk if there is an option for funding having a focus to move quickly on an acquisition. Indicate dedication of the availability of land in developer agreements. This helps secure the site and it's better for financing and timeline issues.

Attachment B

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Monterey County
Housing Element Update

MEETING MINUTES

Name of Meeting: Market Rate Developer Stakeholder Meeting
Date of Meeting: February 1, 2023
Time: 2:00 pm
Location: Zoom Meeting
Subject: Housing Element Update – Existing challenges that create a barrier to develop affordable housing in unincorporated Monterey County and opportunities/solutions to help address these barriers.

Participant	Organization
Participant # 1	Ausonio Homes
Participant # 3	SHEA Homes
Participant # 4	Avila Construction
Jaime S. Guthrie – County Staff	Housing and Community Development, Monterey County
Hitta Mosesman – Consultant	Harris & Associates
Kelly Morgan – Consultant	Harris & Associates

Challenges - General

- Participant 1: Nothing can be built reasonably in Castroville due to excessive fees. Even when converting to apartments developers still have to pay traffic impact fees. Fees are a constraint for anything to be developed in Castroville.
- Participant 3: Permit approvals can be difficult to obtain in a timely manner.
- Participant 4: If you build a housing project it's in spite of the regulations and processes. A few folks have figured out the barrier to entry, but it is very difficult.
- Participant 1: Even for something like a lot line adj for commercial property, it takes upwards of 3 years, timing for this is unacceptable.
- Participant 4: County staff also acknowledge processes to be lengthy.
- Participant 3: We are looking at other places in the County but having worked in Marina and now SHEA Homes has a very long bureaucratic process the timeframes are long and frustrating. To produce housing units and take advantage of opportunities need to deal with timing constraint. A serious conversation needed as are resources put behind plan check and review. The timing for entitlement permitting impacts expense; timing forces an economic shift and exposes unnecessary risk. When considering a project, initial questions always include if the development is in the County because of the difficulties in getting the entitlements and permits.
- Participant 4: Public meetings for projects are also excessive when considering the various boards and committees that have to be involved.
- Participant 3: SB330 and streamline provisions need to be adhered to, limiting the number of public hearings and need to be extended to residential mixed use and followed accordingly. The timing needs to be by-right from an entitlement stance so long as the existing zoning is okay and already in place.

- Participant 4: Agree.

Challenges – Water & Infrastructure in the unincorporated Monterey County and the region

- Participant 4: In Pajaro there was a public housing development where to appease planning and neighbors, the developer had to fill in sidewalks and have a sewer report conducted despite the development not having an impact. Public works required this.
- Participant 3: The County has to back developers and not require developers to pay for infrastructure issues. SB330 should not have developers paying for non-objective issues. If housing is a priority, then act accordingly.
- Participant 3: Sometimes the water district is more of a burden than the cities.
- Participant 3: Water is most constrained in the County, definitely an issue/intrusion, political, etc. The issue needs federal funding. The County can increase housing by increasing water supply. Solutions in the works like Conveyance River or CalAm get pushed back by lawsuits, the coastal commission, etc., creating a hurdle to resolution.
- Participants 1 & 3: NIMBYism creates a hurdle as well, citing a lack of housing but creating infrastructure-based constraints that create a barrier to increasing housing stock.
- Participant 4: Potential sites are needed for agriculture (farm workers), but that availability is hard to come by with the infrastructure SOI, coastal commission barriers. The County agriculture mitigation policy is a huge constraint, causing issues if developers have to buy a permanent easement to mitigate the loss of agriculture land.
- Participant 3: The volume of agriculture land is going to shrink due to the robotizing of the actual work and the movement of opportunities outside of CA, likely to see reduction in use of agriculture land in Salinas. A policy that looks at capitalizing and treating agriculture land as endangered when it isn't is a poor policy. Should be looking ahead at the reality of the situation.
- Participant 4: Density mitigates use of agriculture land, density is a constraint, very small for multi-family and will help mitigate loss of agriculture land.
- Participant 1: Castroville was able to do density bonus to increase units for a development from 6 to 18. Should be noted that when switching to regular apartments, developers will need to adhere to fees. Density bonus then becomes an issue as parking is an issue. Can't always reduce parking realistically to take advantage of the density bonus incentive.
- Participant 4: Public transport infrastructure is lacking.

Opportunities/Solutions

- Shorten timeline, waive impact fees, and adhere to state laws on streamlining permitting.
- Better policies, affordable housing overlays, and the County should look into and deliver water and provide additional supply for adequate water.
- Current densities need updating to help mitigate the issues, less public hearings, and more by-right for the zoning codes.
- County should reimburse developers that have to update infrastructure for issues non-related to their development.
- County coordination on infrastructure when a project comes forward and working with each district to move things forward. Cities will typically step in and advocate for AH. The County needs to do the same to make sure water district allocation is in its place.
- If considering mixed use - commercial should be stated as not requirement but instead optional w/ zoning. If requiring commercial and it can't be filled due to the market, it holds up the housing portion. The policy should be flexible.
- There are opportunities for conversion if considering the option to rezone to residential (Castroville, Carmel Valley, Mid-Valley, Rio Road, etc.).
- Identify grants, resources, environmental policies to help CEQA requirements upfront, and existing incentives for developers.
- Consider policies and procedures seen in other jurisdictions like Marina's housing overlay, Salinas' revitalization downtown plan, and Monterey's downtown specific plan.

Attachment C

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Attachement C

MCLHTF Design Questionnaire

Eden Housing

Broadly, what is best way for local government to be your partner in developing affordable housing?

Most important would likely be soft loans awarded to project that would help pay for development costs and leverage tax credits and state funding. Second would be funding to acquire new development sites in order to add new projects to the housing pipeline. Finally, to the extent the County can control or assist, any type of fee waivers or deferrals to help reduce the cost of development are also useful.

Should the MCLHTF be used to purchase land and/or water rights and the MCLHTF then request proposals for development?

Yes, this could be useful, though it's our observation that when government entities are purchasing land, the sellers tend to boost the price. We've had success making an acquisition directly with a funding commitment in hand from a public entity. This way, the private seller can contract with the developer directly (say, with a "financing contingency"), and then the developer can close the acquisition with trust funds that stay in the deal, avoiding the risk and cost of obtaining private land loans.

What is best structure for MCLHTF assistance to leverage other federal and state resources, e.g., grants/loans, interest rates, loan terms, minimum amounts?

The best structure is "soft loans" to the project, forward committed with an interest rate of 3% simple or AFR, a 55-year term and payments via residual receipts. Access to these funds during predevelopment can help reduce the interest carry of the project during the design process and is particularly useful for smaller developers with less access to credit. It is especially valuable to have these funds before applying for outside resources to demonstrate leveraging. In general, anywhere from \$50,000 to \$300,000 per unit is really valuable, depending on other resources available for a given project.

What would you consider a fair return on the MCLHTF's investment in terms of cost per unit assisted, e.g., \$25,000 per unit or investment levels based on affordability?

In general, minimum investment returns from projects are unusual for public funds, and soft lenders share half the project's residual receipts pro rata. In terms of varying the amount of funding per unit, some lenders create a per unit subsidy that is deeper for lower levels of affordability by calculating the present value of the difference in rents foregone that could otherwise leverage private hard debt.

Assuming long repayment terms, how much capital should the MCLHTF target raising annually for multifamily development to ensure it has sufficient funds available to support at least one project annually?

In general, counties that can reliably raise \$10,000,000 per year are attractive for affordable housing developers. This could potentially support 2-3 projects per year, though some projects may apply more than once. This means that a developer could secure a site and have a decent chance at getting funds within 1-2 years of entitlements to leverage and compete for last-in state funding.

Would your organization prefer to see the cities and County participate in the competitive state HOME program or become an entitlement community and fund a blend of multifamily and single-family projects?

Whatever yields more funding. I think smaller entitlement jurisdictions often get less HOME funding than is useful for a single project. We've seen counties and cities blend HOME with HTF funds so reduce the burden of RFP releases and then match projects with the most applicable funding.

Attachement C

MCLHTF Design Questionnaire

Eden Housing

Anecdotally, County staff has heard that the non-profit development community has switched from trying to acquire property, entitle, finance, and construct units to partnering with local jurisdictions that have land available. How much of your current development activity (since 2021) is on publicly owned properties versus property your organization has purchased?

Since 2021, we have closed deals with all of the above sources of origination: privately purchased sites, donated land from public entities, donations from market rate developers, and partnerships with other non-profit entities. At this time, we are less willing than before to close on a purchased private site without a funding commitment for the land cost from a public partner. This is because current economic and funding conditions mean that projects are having to wait longer to get funded. Current interest rates make holding costs run millions of dollars, reducing the feasibility of these more “speculative” acquisitions.

Triggered by AH Developer Stakeholder Meeting Notes

Attachment D

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Attachment D

Development Considerations

- Infrastructure & Resource Considerations
 - Is there enough water, from a sustainable source, for the project?
 - Drives project size as much as what is allowed by zoning.
 - How will waste water be handled –
 - On-site septic requires more land, land value that is not recouped by development.
 - Connecting to an existing service provider may require annexation and extension of infrastructure.
 - Does the system have capacity to accept new connections?
 - This is a fixed cost regardless of the square footage of a unit or the number of bedrooms it has.
 - Does the project require construction of new internal road network?
 - Will the project likely trigger off-site improvements or assessments?
 - Traffic improvements, utility upgrades, parks, etc.
 - Are prior approvals catching up so that the next project has a marginal impact?
- Land Use Considerations
 - What is current zoning and land use designation?
 - What permits are required?
 - How much will the permits cost in time and money?
 - Earthquake, flood, or high fire risk zones – end purchaser of home may not qualify for mortgage if homeowners' insurance is not available.
 - Is project in Coastal Zone?
 - Approvals maybe appealed to California Coastal Commission – more time.
- California Environmental Quality Act (CEQA)
 - Does the project location qualify for a CEQA exemption or is it in an area already analyzed by a CEQA document that can be tiered off?
 - Census designated urbanized area
 - Community Plan
- Development Costs – Land, Engineering, Plans, Studies & Reports
 - Time to process entitlements
 - Planning reviews and hearing
 - CEQA
 - Coastal Commission appeal?
 - Litigation?
 - Fees to process entitlements
 - Impact fees and/or requirements
 - Fire, parks, schools, traffic, other growth induced impacts
 - Fees for individual building plan checks and permits.
 - Utility Connection Fees
 - Water connections, or wells and/or mutual water system
 - Wastewater connections or individual septic systems
 - Internal recreational opportunities
 - Internal traffic improvements

Attachment D

Development Considerations

- How to Pay for Development Costs
 - Directly include in cost of land and structure, or,
 - Establish ongoing Community Facilities District/Mello-Roos district for infrastructure construction and maintenance – higher property taxes mean less monthly income available for affordable mortgage payments.
- How to Pay for Ongoing Development Costs
 - Homeowner Association to maintain private subdivision improvements – higher monthly housing cost, which reduces amount available for other housing expenses, i.e., mortgage payments.

Attachment E

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Attachment E

Staff Questions

Question

Examples

What specific County policies cause unnecessary delays?

What specific County processes cause unnecessary delays?

Do you have examples of similar policies or processes from other counties that work better?

Why aren't more dense projects being proposed for the unincorporated areas of the County?

Have you evaluated any sites in the unincorporated areas for application under either SB35 or SB330 (streamlining)? If yes, did you proceed with the application? If no, why not?

Why aren't property owners/developers taking advantage of density the density bonus

What are primary reasons property owners / developers are delaying projects once they have approvals or taking as long as they are to clear conditions of approval?

Quail Hills - 2006
Country Lake Estates - 2007
Charolais Ranch
East Garrison
September Ranch