



County of Monterey

Item No.

Board Report

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

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Receive a presentation on the County's Housing Report and Strategic Plan and provide direction to staff.

RECOMMENDATION:

It is recommended that the Health, Housing, Homelessness, and Human Service Committee receive a presentation on the County's Draft Housing Report and Strategic Plan and provide direction to staff.

SUMMARY:

The Inclusionary Housing Ordinance requires that the Board of Supervisors receive periodic evaluations of the Inclusionary Housing Ordinance. This Draft Housing Report and Strategic Plan is intended to provide the required evaluation pursuant to the Ordinance and to provide an outline for updates to affordable housing policies going forward. As presented, the Plan provides a high-level overview of affordable housing created since 1980's within the County, including the number and types of units, and the source of funding for these units.

DISCUSSION:

The Board of Supervisors made its first affordable housing policy declaration in October 1980 when it adopted the County's first Inclusionary Housing Ordinance. Since 1980, approximately 7,300 affordable rental units and 1,500 affordable owner-occupied units have been constructed, rehabilitated, or purchased with public financial assistance throughout Monterey County. Of the 8,800 affordable units, approximately 1,500 are in the unincorporated areas of the County. The County has provided more than \$48 million in grants and loans to support affordable housing countywide.

Since the Board of Supervisors adopted the first Inclusionary Housing Ordinance, approximately 300 for-sale and 900 rental affordable units have been constructed to comply with its requirements. In addition to the units constructed as part of private market development, the Ordinance has raised approximately \$5.6 million in in-lieu payments that have helped finance the construction or rehabilitation of approximately 200 affordable units of supportive or special needs housing and six emergency shelter beds developed by non-profit developers.

A refrain that has been frequently repeated since the County began updating its Inclusionary Housing Ordinance in 2019 has been that it has been a failure. While the Ordinance has not resulted in large numbers of affordable units being constructed, it has had success requiring developers to construct affordable for-sale units as part of market rate projects. There are several factors that have limited the Ordinance's impact over the years. Of the 400+ planning applications subject to the Ordinance since 1985, two-thirds of them were for the creation of less than 19 new lots or units. These smaller housing

developments accounted for only 11% of the 400+ affordable units constructed, which is well below the Regional Housing Needs Allocation targets in the lower income categories. The Inclusionary Housing Ordinance requires 20% of units to be provided for affordable housing. Smaller housing developments translate to the construction of small numbers of affordable units (3 or fewer on average). With the small number of market rate units in each project, there is not much capacity to share the cost of subsidizing very low- or low-income units. The other significant challenge is that many of the projects result in lots ready for construction of custom homes, rather than constructed units.

This Housing Report takes the data and outlines a multi-year strategic plan for affordable housing in the County. Over the past 40-years the County has supported the development of affordable housing through a mix of funding opportunities and programs. This support has always been in response to external factors, such as a non-profit developer requiring financial support for a specific project or a specific development opportunity. During the last attempt to update the Inclusionary Housing Ordinance, members of the Board of Supervisors expressed an interest in seeing more private development of affordable housing and the private development community pushed back that it was not financially viable for them to do so. The Strategic Plan calls for:

- ☐ Evaluating national, state, and local economic factors driving development of housing and specifically affordable housing.
- ☐ Evaluating how the affordable housing development landscape has changed over the last 20-years.
- ☐ Identifying jurisdictions like Monterey County and an evaluation of the policies and programs they have adopted to encourage construction of new affordable housing; and,
- ☐ Making recommendations for specific programs and policies that the County could undertake to become a more engaged participant in affordable housing development.
 - Specifically, the Plan will also explain how the County's Inclusionary Housing Ordinance and the Monterey County Local Housing Trust Fund fit into the recommended affordable housing strategies.

OTHER AGENCY INVOLVEMENT:

The Housing Advisory Committee received the draft Housing Report and Strategic Plan at its March 12, 2025, meeting and concurred with staff's recommendation that it be presented to the Committee and, ultimately, the Board of Supervisors for consideration.

FINANCING:

There is no impact on the General Fund associated with accepting this report. The Fund 009, Organization Unit 8544, Appropriations Code HCD003 FY2024 Adopted Budget and FY2025 includes funding for consultants and outside counsel to prepare the required documents.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Affordable housing is an important cornerstone to provide healthy and safe living environments for the County's residents. Affordable housing is also an essential piece of infrastructure to ensure that local employers can continue to find and employ County residents.

Mark a check to the related Board of Supervisors Strategic Initiatives

_____	Economic Development
<u> X </u>	Administration
<u> X </u>	Health & Human Services
<u> X </u>	Infrastructure
_____	Public Safety

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Approved by: Craig Spencer, Director of Housing & Community Development

The following attachment is on file with the Clerk of the Board:

Attachment A - 2024 Housing Report