



County of Monterey

Item No.

Board Report

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

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- a. Receive a report on the Periodic Evaluation of the Inclusionary Housing requirements contained in Chapter 18.40 of the Monterey County Code; and
- b. Provide direction to staff on the Affordable Housing a Strategic Plan for updating the County's affordable housing policies in the future.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on the Periodic Evaluation of the Inclusionary Housing requirements contained in Chapter 18.40 of the Monterey County Code; and
- b. Provide direction to staff on the Affordable Housing a Strategic Plan for updating the County's affordable housing policies in the future.

SUMMARY:

Chapter 18.40 of the Monterey County Code ("Inclusionary Housing Ordinance") requires that the Board of Supervisors receive periodic evaluations of the Inclusionary Housing Ordinance. The 2024 Housing Report and draft Strategic Plan are 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 Housing Report and Strategic Plan provide a high-level overview of affordable housing created since 1980s within Monterey 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 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 Monterey 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.

Since 2019, County staff has worked to update the Inclusionary Housing Ordinance and during this time period certain members of the public have commented that the Ordinance has not produced sufficient affordable housing. 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 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 ("RHNA") 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 affordable units. The other significant challenge is that many of the projects in the unincorporated areas 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 Monterey 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, especially on the Central Coast.
- Identifying jurisdictions like Monterey County and an evaluation of the policies and programs they have adopted to encourage construction of new affordable housing.
- 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.

A draft of the Strategic Plan is attached for the Board's review and comment.

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 Board's Health, Housing, Homelessness, and Human Services Committee. The Board's HHHHS Committee received the Report on April 28, 2025. At its May 14, 2025, meeting, the HAC, by consensus, recommended forwarding the Affordable Housing Strategic Plan to the Board of Supervisors for consideration.

FINANCING:

There is no impact on the General Fund associated with accepting this report. Fund 009, Unit 8544, Appropriation Unit HCD003 FY2024-25 Adopted Budget and FY2025-26 Adopted Budget includes funding for consultants and outside counsel to prepare the required documents.

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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 - Housing Report

Attachment B - Draft Scope of Work - Affordable Housing Strategic Plan Draft Objective and Plan Elements

Attachment C - Housing Report Presentation