County of Monterey

Item No.5

Board Report

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

Legistar File Number: 25-752

October 22, 2025

Introduced: 10/14/2025 **Current Status:** Agenda Ready
Version: 1 **Matter Type:** General Agenda Item

a. Receive a report on rental income generated by the Kents Court affordable housing development; and,
b. Recommend that the Board of Supervisors approve basing Kents Court rents on annual tenant certified incomes.

RECOMMENDATION:
It is recommended that the Health, Housing, Homelessness, and Human Services Subcommittee:a.
a. Receive a report on rental income generated by the Kents Court affordable housing development; and,
b. Recommend that the Board of Supervisors approve basing Kents Court rents on annual tenant certified incomes.

SUMMARY:
The Health, Housing, Homelessness, and Humans Services Committee is being asked to receive a report on how rents at the County owned Kents Court residential property are currently structured and make a recommendation to the full Board of Supervisors on a new rent structure. The current rent structure is based on requirements developed more than 15-years ago to repay a state loan used to purchase the manufactured homes and is inconsistent with the requirements of Section 50053(b) of the California Health and Safety Code, which defines affordable rents. The recommended changes to the rent structure will bring the property into compliance with the Health and Safety Code and generate additional revenue to finance ongoing property maintenance. The staff recommendation is to establish individual tenant rents based on annual certified household incomes with a reasonable allowance for tenant-purchased utilities.

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 to South County Housing (SCH). The Agency loan and California Housing Finance Agency (CalHFA) 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 meets the requirements of Section 50093 of the California Health and Safety Code and exempts

Kents Court from the rent increase limits of AB 1482.

The rents for Kents Court were initially established in 2005, they based on an assumption 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. Six households had incomes above 80% AMI and are considered moderate or above moderate-income. Because of the disparity in household incomes, the amount households are now paying in rent varies from 7% to 71% of annual income.

The County currently charges $951 for a 2-bedroom unit and $1,089 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.

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. If the Board approves this change, the average rent increase will be $436 per month and the median will be $470. The variance been the amount individual rents change will vary between a $846 decrease to a $2,864 increase. Households earning above 110% of AMI will receive the largest increases, bringing them closer to market rate housing costs.

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, other electric, electric water heater, range and refrigerator. For calendar 2025, this equates to $356 per month for a 2-bedroom unit and $468 for a 3-bedroom unit.

<u>OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:</u>
This report has been prepared by the Housing & Community Development Department. The Housing Advisory Committee will receive this report on October 22, 2025. Any comments or recommendations from the HAC will be addressed when the item is presented to the Board of Supervisors.

<u>HOUSING IMPACTS</u>:
___Reduces constraints on Housing Development
___Increases constraints on Housing Development
_X_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 be encouraged to voluntarily relocate because of rents moving 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 increase rent collections by $90,000 in the first year.

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.

_X_ Well-Being and Quality of Life
_X_ 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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Attachment:
Attachment A - Same Rent Adjustment