

Attachment B

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Attachment B

Applicability & Affordability Requirements

Staff Recommendations:

- a. Direct staff to analyze the potential impacts of amending the Inclusionary Housing Ordinance and General Plan Land Use Policies LU-1.19, LU-2.11 and LU-2.13 to require projects creating more than 7 for sale lots/units make at least 20% of the units affordable for moderate-income households;
- b. Direct staff to analyze the potential impacts of amending the Inclusionary Housing Ordinance and General Plan Land Use Policies LU-1.19, LU-2.11 and LU-2.13 to require projects creating more than 7 rental units make at least 7.5% of the units affordable for very low-income households, 7.5% affordable for low-income households, and 5% affordable for moderate-income households;
- c. Direct staff to analyze if implementing General Plan Land Use Policies LU-2.11 and LU-2.13 constitute a constraint on the development of housing.

Threshold Rational:

1. Setting the threshold for applicability at 7-new lots/units makes the County's Inclusionary Housing Ordinance more in line with the requirement statewide.
2. Setting the threshold for applicability at 7-new lots/units means that all projects subject to the Ordinance will have to provide at least one affordable unit. Fewer than 7 lots/units results in only fractional affordability requirements.
3. Housing developments with fewer than 7 lots/units have a reduced ability to spread the costs of building affordable units throughout the development.

Affordability Rational:

1. Bifurcating affordability requirements between ownership and rental units recognizes the different financing requirements and opportunities imposed by the different occupancy models.
2. Setting the affordability requirement at 15% of total proposed units/lots is in line with what is found statewide in affordable housing programs.

Discussion:

The County's current Inclusionary Housing Ordinance requires projects with 3 or more units to make 6% affordable to very low-income households, 6% affordable to low-income households, and 8% affordable to moderate-income households. Since 1980, the County has reviewed approximately 430 projects that proposed creating opportunities to construct 12,813 residential units. The current Ordinance, if applied to these projects would capture 75% of the projects and 98% of the units that have been proposed over the last 45-years. Had all the units been constructed, the current Ordinance would yield 2,562.6 affordable units.

Reducing the project threshold to 15% could have these impacts on the universe of projects reviewed.

- Ordinance would apply to 156 fewer projects.

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- Yield 1,921.95 affordable units.

The following tables provide additional information on how affordability would change between the current standard and proposed 15% affordability standard.

Project Size	Number of Projects	% of Projects	Number of Units	% of Units	Market Rate Units		Affordable Units	
					Current Ordinance	Proposed Ordinance	Current Ordinance	Proposed Ordinance
1	2	0%	2	0%	2	2	0.4	0.3
2	107	25%	214	2%	214	214	42.8	32.1
3	47	11%	141	1%	141	141	28.2	21.2
4	87	20%	348	3%	348	348	69.6	52.2
5	9	2%	45	0%	36	45	9.0	6.8
6	13	3%	78	1%	65	78	15.6	11.7
7	11	3%	77	1%	66	66	15.4	11.6
8	6	1%	48	0%	42	42	9.6	7.2
9	4	1%	36	0%	32	32	7.2	5.4
10-19	49	11%	686	5%	567	609	137.2	102.9
20-49	48	11%	1,512	12%	1,228	1,308	302.4	226.8
50-99	22	5%	1,721	13%	1,383	1,472	344.2	258.2
100-249	19	4%	2,891	23%	2,317	2,463	578.2	433.7
250-499	2	0%	668	5%	535	569	133.6	100.2
500+	4	1%	4,346	34%	3,478	3,696	869.2	651.9
Universe Total	430		12,813		10,454	11,085	2,562.6	1,922.0

Row Labels	Number of Projects	Average Number of Units	Average Cost of Compliance		
			Current Ordinance & Fee Schedule	Current Ordinance & Updated Fee Schedule	Proposed Ordinance & Updated Fee Schedule
Central Salinas Valley	118	46	\$22,902	\$44,181	\$81,545
Coastal	4	14	\$104,975	\$415,411	\$476,226
East Garrison	1	1,400	\$55,000	\$55,046	\$38,824
Greater Carmel Valley	37	39	\$55,035	\$107,887	\$209,260
Greater Monterey Peninsula	36	40	\$55,038	\$119,287	\$222,836
North County	197	12	\$27,222	\$47,733	\$86,421
South County	30	18	\$22,269	\$29,230	\$44,847
Unknown	7	32	\$47,773	\$50,315	\$32,742
Grand Total	430	30	\$31,535	\$60,114	\$106,814

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Compliance Assumptions

An average total development cost of \$264,000 was used to estimate Affordable Unit Development Cost. The estimated cost was based on the cost to construct a 700 square foot, 2-bedroom unit and a 900 square foot, 3-bedroom unit. Construction costs were estimated at \$275 per square foot and land costs at 20% of the construction cost.

In-Lieu Fees for the current Ordinance were assessed based on the 2011 In-Lieu Fee Schedule that applies to all current projects. This can be misleading because the in-lieu fees vary based on planning area and range from \$22,950 in South County to \$729,320 in Coastal Big Sur and Carmel.

In-Lieu Fees for the recommendation are from Keyser Marston Associates' March 22, 2023, draft In-Lieu Fee Model – 7.5% Moderate-Income and 7.5% Low-Income and In-Lieu Fee Model – 10% Moderate-Income and 10% Low-Income. This schedule also has a wide range of fees by planning area, \$311,300 in South County to \$5,289,300 in Big Sur.

Workforce-Income Affordability

The County has defined two levels of workforce-income, Workforce 1 covers households earning 120% - 150% of Area Median Income (AMI) and Workforce 2 includes households earning between 150% - 180% of AMI. These AMI limits exceed the affordability requirements of RHNA and are considered above moderate-income. During the 5th Housing Element Cycle, the County issued 885 building permits or 136% of the RHNA requirement and is expected to exceed the RHNA requirement for this affordability level during the 6th HE Cycle. To date the only workforce units constructed have been part of the Commons at Rogge Road and East Garrison.

The Commons at Rogge Road consisted of 48-apartments and 123-single family homes. The project was approved in March 2006. The apartments were income restricted for very low- through moderate-income households. The single-family homes were to be sold to Workforce 2 qualified households with the intent to discourage speculative buying. In late 2007, the developer indicated that they were unable to attract purchasers willing to limit their upgrade options and be income qualified by the County. In April 2008, the Board of Supervisors agreed to release the units from the requirement that they be initially sold to income qualified households.

The East Garrison units were sold to income qualified households with a one-year term of occupancy requirement, and all the affordability restrictions have expired. The East Garrison developer has also indicated difficulty attracting purchasers for the Workforce 2 units, even after offering incentives that would reduce buyer closing costs, for similar reasons.

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