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# 2024 Housing Advisory Committee Work Plan

Presentation to Board of Supervisors  
Health, Housing, & Human Services Committee  
February 5, 2024



MONTEREY COUNTY HOUSING & COMMUNITY DEVELOPMENT



## Today's Recommendations

- Receive a report on the HCD Housing's 2024 Work Plan.
- Provide direction to staff.
- Make a recommendation to the Board of Supervisors regarding the Housing Work Plan.



## Regional Housing Needs Allocation (RHNA) – Unincorporated County

	5th Cycle (through 12/31/22)			6th Cycle
	RHNA Allocation	Building Permits Issued	Unit Surplus / (Deficit)	RHNA Allocation
<b>Countywide</b>	<b>8,301</b>	<b>4,590</b>	<b>(3,711)</b>	<b>20,295</b>
Very Low-Income	1,780	661	(1,119)	4,412
Low-Income	1,162	512	(650)	2,883
Moderate-Income	1,348	321	(1,027)	4,028
Above Moderate-Income	4,011	3,096	(915)	8,972
Subtotal - Affordable Housing	4,290	1,494	(2,796)	11,323
<b>Unincorporated County</b>	<b>1,551</b>	<b>2,034</b>	<b>483</b>	<b>3,326</b>
Very Low-Income	374	152	(222)	1,070
Low-Income	244	371	127	700
Moderate-Income	282	73	(209)	420
Above Moderate-Income	651	1,618	967	1,136
Subtotal - Affordable Housing	900	596	(431)	2,190

MONTEREY COUNTY HOUSING & COMMUNITY DEVELOPMENT



This table shows the County's 5<sup>th</sup> and 6<sup>th</sup> Cycle RHNA.

Staff has identified 19 projects that are either clearing conditions of approval or constructing housing units. These projects, if building permits are issued during the 6<sup>th</sup> Cycle will satisfy 52% of the County's affordable housing RHNA and nearly double the above market rate RHNA.

But, pulling building permits is not dictated by the County and on average, these projects were entitled in 2009, during the 4<sup>th</sup> Housing Element Cycle.

Everything the Housing Office has done has been in support of helping housing developers permit enough income restricted units to meet the State's Regional Housing Needs Allocation expectations.

The RHNA is the amount of housing the County must plan for when developing its 8-year Housing Element.

6<sup>th</sup> Cycle Housing Element for Monterey County began in December 2023.

Nearly all very low- and low-income units built during the 5<sup>th</sup> Cycle were for seasonal farmworkers by agricultural employers.

Most above moderate-income units are associated with projects approved during the 3<sup>rd</sup> Cycle, East Garrison.

If the County relied solely on the Inclusionary Housing Ordinance as currently adopted, it would need to issue permits for 17,667 total housing units over the next 8-years.

And this assumes that projects are of sufficient size to construct very low- and low-income units. Unfortunately, most projects are small scale and the very low- and low-income units represent only a fraction of a whole unit and are rolled up as moderate-income units.

Information on 5<sup>th</sup> Cycle Housing Element Performance available at:  
<https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard>

## Fundamental Question

- What does Board of Supervisors want to accomplish?
  - Proactive vs. Reactive
    - Find and create housing opportunities
  - Or
    - Provide resources and assistance when others identify housing opportunities



Past practice has been to use land use planning for housing through zoning density and development policies.

Challenge has been:

- Developers not taking advantage of these opportunities or policies.
- Developers only agreeing to meet Inclusionary Ordinance minimum requirements.
- Development decisions being driven by property owner desire to maximize the return on their investments.

In the past, the County has tried to assist development of affordable housing by providing grants and loans using in-lieu fees, and state grants. But this has been driven by the development community and not necessarily resulted in affordable units seen in areas where they could be most beneficial.

The County has a challenges when providing financial assistance to projects.

- Most affordable projects in the County are located within cities, where the County cannot use state and federal funds.
- Many state and federal programs are made available on a competitive basis, and projects may not be competitive or funds are not available at

the “right time”.

- The development community’s needs for grants or low interest, long repayment term loans, means that available funding follows a boom-and-bust cycle that makes it difficult for the community to rely on the County for financial assistance.

The County may be able to create more opportunities for housing if it controls land, resources, and money, to partner with developers.

- For example, the Board of Supervisors has directed staff to work with Eden Housing to develop 5-acres at 855 E. Laurel with 130-affordable apartments and another 5-acres for development of up to 150-affordable senior apartments.
- The County has a limited allocation of water available in the Carmel basin. The Board could consider using this, along with property acquisition, to sponsor an affordable housing project at the mouth of Carmel Valley, similar to what is being done at 855 E. Laurel.



## 2024 Work Plan Major Elements

- Opportunity
  - Monterey County Local Housing Trust Fund
- Regulatory & Statutory Activities
  - 6<sup>th</sup> Cycle Housing Element & Implementation
  - Inclusionary Housing Ordinance & Administrative Manual Adoption
- Maintenance of Effort Activities
  - Community Development Block Grant
  - Inclusionary Housing Program



The Work Plan responds to three needs:

- Creating a resource for the County to proactively start to create more affordable housing opportunities.
- Addressing regulatory requirements, such as the Housing Element and updating the Inclusionary Housing Ordinance.
- Continuing existing programs at existing levels.

Housing's work on the 6<sup>th</sup> Cycle Housing Element will primarily be in the project and policy implementation phase. The specific work elements will be identified and prioritized in the Housing Element, but will likely include:

- Developing criteria for building Accessory Dwelling Units
- Developing SB9 Lot Split criteria for the County
- Amending the County Density Bonus Ordinance to conform with State Law
- Developing an Ordinance to facilitate construction of education staff housing on school district properties.

## Monterey County Local Housing Trust Fund (MCLHTF)

- Established by Board of Supervisors in November 2022.
- Three “Portfolios” based on original fund limitations
  - Affordable Owner Workforce Housing
    - Activities that lead to units occupied by households earning no more than 110% of Area Median Income (AMI)
    - Required by PLHA Grant Regulations
  - Multifamily Rental – generally housing for households up to 80% of AMI
  - Not Specified – funds can be used for either portfolio.



Challenges facing the County when it comes to constructing affordable housing:


- Non-profit developers report that they are now focusing on projects in partnership with local government jurisdictions where the jurisdiction provides low/no-cost land, like what the County is doing with Eden Housing at 855 E. Laurel.
- The County and cities need to provide land and water to support large scale affordable housing in partnership with these developers.
- The County does not have a facilities master plan to support which County owned properties are surplus or in suitable locations to develop affordable housing.
- Providing ongoing capital to the MCLHTF.

The cost per affordable unit constructed since 2020 is approximately \$642,000.


Non-profit developers need the MCLHTF to provide long-term, low-interest, subordinate loans with payment out of residual receipts.

Repayments on loans is not a sustainable model to capitalize and recapitalize the MCLHTF.

## MCLHTF Capital Overview



	Available Capital	Ongoing Funding
Affordable Owner Workforce Housing (AOWH)	\$1,136,930	\$136,538
Multifamily Housing	\$1,015,373	\$313,273
AOWH or Multifamily	\$2,482,810	\$50,000
Total Capital	\$4,635,114	\$499,811



The current MCLHTF capital base is sufficient to fund approximately 7 affordable units.

The MCLHTF has 10 capital sources, including:

- Permanent Local Housing Allocation grants – County and 3 cities
- County land donation at 855 E. Laurel – Exclusive Negotiating Agreement with Eden Housing to develop 130-affordable units
- Proposed County land donation at 855 E. Laurel for development with up to 150-affordable senior units
- General Fund and ARPA
- HOME program down payment assistance, housing rehabilitation, and multifamily loan repayments
- Inclusionary In-Lieu Fees

- Loan repayments originally funded with non-HOME funds.

Capital base is challenging because of regulations limiting use of funds to some areas of County and not others, e.g. federal HOME regulations would allow County to use HOME funds in cities if cities were also financially participating in a project, but state regulations do not allow this flexibility.

Staff is beginning to talk to cities about ways to increase funding for affordable housing and homeless services countywide. There are two possibilities:

- Expanding participation in the Urban County could bring in approximately \$3.6 million annually, of which some could be used to support affordable housing.
- Forming a HOME consortium, like the Urban County. This could attract approximately \$1 million annually.
- Pooling Permanent Local Housing Allocation funds and using one 5-Year Plan. This could attract approximately \$1.4 million annually.

Being able to share RHNA credit among cities based on financial participation would be a good carrot to encourage city participation. Pooling the funds also means we have a significant amount to support projects when they are ready, wherever they are located.

There is a delicate balancing act that goes on to maximize available capital as leverage for the state Local Housing Trust Fund program while meeting the mandates of some of the funding sources that reduce the County's LHTF program application scores.

## MCLHTF Policy Considerations



- Does the Board want to create or dedicate additional resources to the MCLHTF?
  - County property for development
  - County property for lease income for ongoing capital
  - Carmel Basin and Fort Ord Water Rights
- How should MCLHTF assets be invested?
  - Land and resource purchases?
  - Grants and loans to affordable housing developers?



Using County property for housing is challenging:

- No Countywide facilities master plan that identifies future property needs.
- Competing department demands for existing resources.

One possibility is a public-private partnership to redevelop 1220 Natividad Rd.

In 2017, staff estimated that this property could generate lease income to the County of \$450,000 annually that could be used to capitalize the MCLHTF.

This property is going to be included in the Capital Improvements Committee consideration of blighted County-owned property and the Health and Sheriff's departments have both expressed interested in using it at some point in

the future.

## 6<sup>th</sup> Cycle Housing Element

### ■ Next Steps

- Administrative Draft Housing Element Chapters under review by Staff – Winter 2024
- Draft Housing Element Public Review and Workshops – Spring 2024
  - Planned workshops at Housing Advisory Committee; Health, Housing, Human Services Committee; and Planning Commission
- Submit Draft Housing Element to State HCD – Spring 2024



The County is working on completing its Draft 6<sup>th</sup> Cycle Housing Element and is on target to have the Draft Housing Element Update available for public review in spring 2024 (NOTE-Anticipate May)

Over the next 12-months the Housing will be asked to provide guidance on how those programs should be developed and implemented.

Distribute 5<sup>th</sup> Cycle Housing Element Programs and 2022 HE APR status of Program Implementation.



## Inclusionary Housing Ordinance & Administrative Manual Update

- Has not been significantly reviewed and updated since 2004.
- In-Lieu Fee Schedule has not been updated since 2004.
- Board of Supervisors requested a report on feasibility of adopting a non-residential In-Lieu Fee to capture additional funding for affordable housing as part of Ordinance. Staff is completing internal reviews of both documents.

### Next Steps

- HAC review in March 2024.
- Planning Commission review in May 2024.
- Board of Supervisors consideration in June 2024.



The housing landscape has changed over the last 20-years and the Inclusionary Housing Ordinance needs to be updated to reflect these changes.

County development application trends indicate that the Inclusionary Housing Ordinance will not yield significant numbers of affordable housing over the next eight years for two primary reasons:

- Long development lead times. East Garrison took six years from entitlement to the first affordable housing being constructed and most other large projects in the County development pipeline have been under consideration for at least 10-years.
- 72% of projects result in less than 10 units and only 1.8 affordable units.
- The average sized project produces 21.9 new units and

only 4.38 affordable units.

- East Garrison, with 1,400 units will only yield 280 affordable units.



## Performance Reporting

- Community Development Block Grant
  - Consolidated Annual Performance & Evaluation Report (CAPER)
  - Provides information on CDBG impacts for prior year
- Housing Reports
  - Housing Element Annual Performance Report
  - Department of Finance Housing Unit Survey
- Inclusionary Housing Report
  - Required at least every 5-years
  - Report on impacts of Ordinance, update in-lieu fees, and provide opportunity to see if changes are needed
- Housing Performance Report
  - Full report on all community development and housing activities as part of 2025 Work Plan consideration



This Report is essential for the Board to understand what resources the County has to support affordable housing and how those resources have been used.

The Report will be done in two phases.

- Phase One will cover the Inclusionary Housing Ordinance and be used to provide information for the HAC, Planning Commission, and Board when considering updates to the Ordinance.
- Phase Two will cover all the community development and housing resources, including the Inclusionary Housing Ordinance, the County has used to support affordable housing since 1982.

Since 1982, staff has identified more than \$59.4 million in local funding, state and federal grants and loans, and private contributions that have been used to support the construction/rehabilitation or private purchase of approximately 1,440 deed restricted housing units.

Assistance has been in the form of land donations for construction of affordable housing, down payment assistance loans, housing rehabilitation loans, and loans to non-profit housing developers to construct or rehabilitate

affordable housing complexes.

## 2024 Work Plan HAC Referrals

- Activities Likely Part of 6<sup>th</sup> Cycle HE Implementation
  - Employer Sponsored Housing Streamlining
  - Inventory Public Land for Housing
  - Develop Program to Encourage Mixed-Use Affordable/Market Rate Projects
- Activities to Understand Housing but Need Partnerships or Resources to Complete:
  - Commission Housing Demand Study of Agriculture and Hospitality Industry Housing Needs
  - Commission Housing Demand Demographic Study with Emphasis on Housing Needs of Special Needs Populations, including LGBTQ+



Some of these activities have been identified as possible housing element programs, such as inventorying publicly owned land and policies that encourage mixed-use development.

Other activities, such as the studies, will deepen our understanding of local housing needs but require the County to identify resources and partners to complete the efforts.

## Housing Advisory Committee By-Law Update



- Last updated in 2007.
- Need to address changes to financial programs.
- Possibly recommend the Board of Supervisors expand authority based on Monterey County Local Housing Trust Fund.
- Next Steps
  - HAC review of current by-laws in March 2024.
  - HAC consideration of revised by-laws in May 2024.
  - BoS consideration of revised by-laws with Inclusionary Housing Ordinance.



## 2024 Work Plan Staff Recommended Priorities

- 6<sup>th</sup> Cycle Housing Element & Implementation
- Inclusionary Housing Ordinance & Administrative Manual Adoption
- Monterey County Local Housing Trust Fund
  1. Create permanent source of local funding to ensure ongoing capital needs are met
  2. Allocate County resources to support affordable housing – property and water
  3. Create countywide affordable housing financing capacity
  4. RHNA sharing to maximize use of available resources



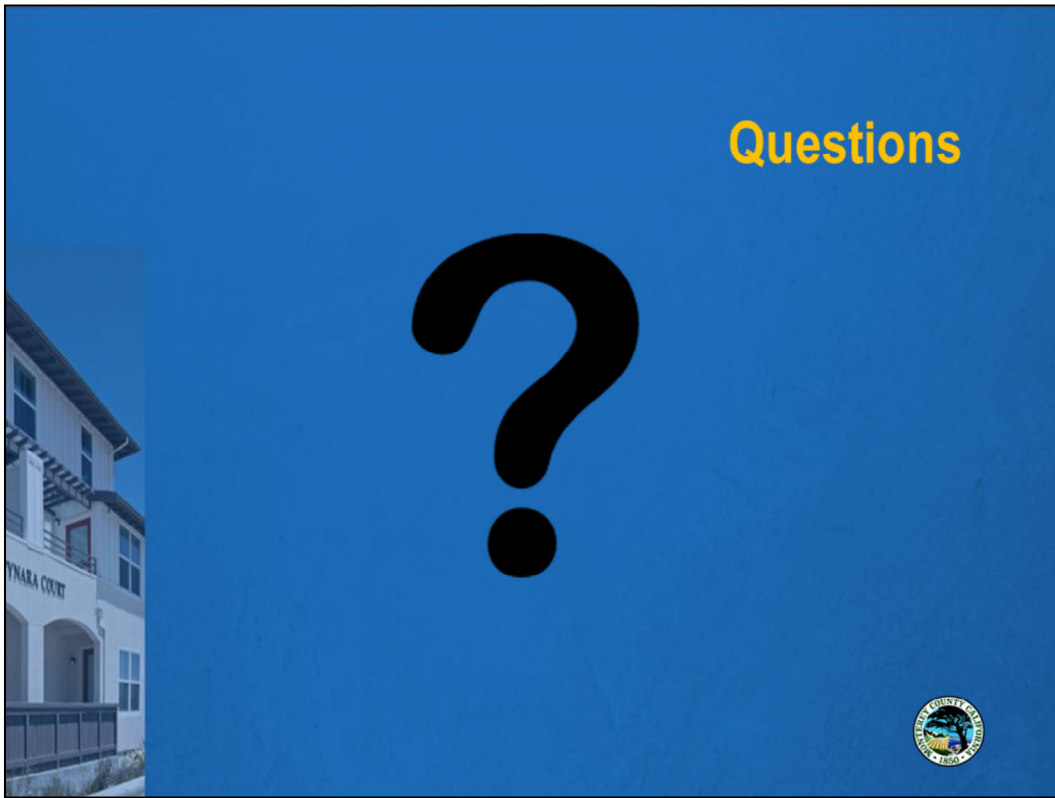


## Today's Recommendations

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What information can staff provide to help you better understand housing conditions in Monterey County?

# Affordable Housing

Requires Many Sources of Funding  
And Creative Solutions

## Resources

The high cost of construction and development financing requires access to multiple sources of funding and other resources to attain affordability.

### Federal

- HOME
- CDBG
- Homeless Assistance Grants
- Housing Choice Vouchers
- Public Housing
- Rental Assistance Demonstration (RAD)
- Nat'l Housing Trust Fund (NHTF)
- Low Income Housing Tax Credit (LIHTC)
- Rural Housing Preservation Act 2018

### State

- Joe Serna, Jr., Fm Wkr Hsg Grant
- California Self-Help Housing Prog
- CalHome
- Multifamily Housing Program
- Federal and State Tax Credits
- Farm Worker Housing Tax Credit Assistance
- SGC Affordable Housing & Sustainable Communities Program

### Private & Non-Profit

- Industry Sponsored Housing
- Workforce Housing
- Housing Financing Bonuses
- Community Service Area Assessment District
- Housing Tax Credits
- Housing & Land Trust
- Foundations

### County

- Inclusionary Housing
- Density Bonuses
- Developer Impact Fees
- Demolition Fees
- Land Use & Zoning Ord
- Subdivision Regulations
- Development Affordability Requirements
- Affordability Percentage and Period
- Permit Streamlining
- First Time Homebuyer Program



## MCLHTF Ongoing Capital Funding



**1220 Natividad Road**

In-Lieu of County General Fund contributions, the County could look at lease income from County owned property as a source of capital.

In 2018, County staff estimated that a Starbucks at 1221 Natividad could generate \$450,000 annually for affordable housing.

If desired, the next step would be to commission a financial feasibility study to determine what the current annuals might be and if there is commercial interest in developing the property.

## Ongoing Activities

- Grant Management
  - Community Development Block Grant
  - Permanent Local Housing Allocation
- Inclusionary Program Management
  - Annual Monitoring
  - Purchaser & Tenant Income Qualifications
  - Reviewing Development Proposals for Compliance with Ordinance.
- Reporting

