INCLUSIONARY HOUSING ORDINANCE STUDY SESSION

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City Council

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SALINAS

RICH IN LAND | RICH IN VALUES

Background

- Nearly 800 housing units (rental and ownership)
- 1992 – 1st Inclusionary Housing Ordinance
- 2005 amendment increased inclusionary percentages
- No inclusionary units built under 2005 ordinance
- Update to ordinance initiated in 2014
- Technical Advisory Committee (TAC) formed of stakeholders
- Current ordinance adopted on June 6, 2017

Discussion

- 2017 ordinance amendment took 2½ years to complete
- Goal: Support developer-friendly options to facilitate housing production and result in more affordable housing through:
  - Flexibility
  - Market informed alternatives
  - Regulations that encourage on-site development
- Regulations informed by:
  - Community Engagement and Input
  - Downtown Vibrancy Plan
  - 2017 Housing Target Market Analysis

On-site Inclusionary Options

	On-site For Sale		On-Site Rental	Mixed For-Sale/Rental
	Option 1	Option 2	Option 3	Option 4
	20%	15%	12%	20%
Very Low	4%	not required	8%	4% Rental / Option to pay impact fees
Low	8%	not required	4%	8% Rental / Option to pay impact fees
Median	not required	6%	not required	not required
Moderate	4%	6%	not required	4% Ownership
Workforce	4%	3%	not required	4% Ownership

Inclusionary Ordinance Provisions

- In-lieu Fees and Rental Housing Impact Fees
  - $14.05 per square foot for ownership housing
  - $2.40 per square foot for rental housing, plus 12% of units available to Section 8 Housing Choice Voucher Program
- Ordinance applicable to:
    - Developments of 10 or more new, for-sale residential units
    - Subdivision of property into 10 or more lots
    - Additions/alterations to existing structure to create 10 or more new units
- Requires approval of Affordable Housing Plan
- West Area and Central Area Specific Plans have Development Agreements that lock in the 2017 ordinance

Ordinance Exemptions

- Creating fewer than 10 additional units or lots
- Development Agreements executed prior to June 6, 2017
  - Monte Bella (Mountain View) followed 1992 ordinance
- Developments with a submitted, complete Planning or Building permit and full payment of application fees prior to June 6, 2017 and compliant with predecessor ordinance
- Developments in the Downtown Area (Central City Overlay District)

Downtown Area (Central City Overlay) Exemption

- Adopted Downtown Vibrancy Plan called out exemption for Downtown to promote housing development
- **395** housing units built in Downtown have restricted rents
- Market-rate housing is desirable for retail businesses
- Other favorable policies may not be enough to encourage housing development
- Absence of a Downtown Area exemption greatly reduces the profitability of developments
- There are few opportunity sites left in the Downtown
- Downtown housing opportunities promoting market rate housing should be a goal in evaluating and modifying all City policies
- Only **24** market rate units built over the last few years

Affordable Housing Units in/near Downtown

Updated Table 5-1 Housing Units in Downtown (Central City Overlay) Between 1996 - 2022

Property Name	Property Address	Total Units	Bedrooms							No. of Restricted Units	Income Level				Year Constructed	Affordability Term	Restricted Expiration
			SRO	S	1B	2B	3B	4B	8B		Extremely Low	Very Low	Low	Moderate			
Plaza Grande	50 E. Market St	95	95							95	0	95	0	0	2003	40	12/1/2043
Forester Building	369 Main St	10		8	2					0	0	0	0	0	2000	20	4/12/2020*
Pajaro Triplex	139 Pajaro St	3				3				3	0	0	3	0	1996	30	5/6/2026
Lupine Gradens	118 E. Alisal St	20	20							20	0	20	0	0	2006	30	8/8/2036
California House	436 California St	8		3	5					8	0	8	0	0	2002	30	7/3/2032
Sun Rose Apartments	439 Soledad St	11		7	3				1	10	0	9	1	0	2022	30	2/11/2036
Tynan Village	323 Front St	171		8	25	32	8			106	0	33	73	0	2008	55	12/4/2063
Gateway	25 Lincoln St	52		25	21	6				51	6	24	14	7	2012	55	12/17/2068
401 Monterey Street	401 Monterey St	16	16							2	0	2	0	0	2019	55	1/10/2074
Steinbeck Commons	10 Lincoln	100			99	1				99	0	0	99	0	1999 / 2021	55	1/1/2076
	Total	**486**	**131**	**51**	**155**	**41**	**8**	**0**	**1**	**394**	**6**	**191**	**190**	**7**	* Affordability Period Expired		

Housing Units Near Downtown Between 2013- 2022

Property Name	Property Address	Total Units	Bedrooms							No. of Restricted Units	Income Level				Year Constructed	Affordability Term	Restricted Expiration
			SRO	S	1B	2B	3B	4B	8B		Extremely Low	Very Low	Low	Moderate			
Haciendas Phase I	201-233 Calle Cebu	53			9	27	14	3		52		38	14		2013	55	1/8/2068
Haciendas Phase II	221, 225, 237, 241 Calle Cebu	46			6	20	17	3		45		2	43		2014	55	6/30/2068
Hacienda Phase III - Hikari	131 E. Rossi Street	50			19	16	15			49			49		2019	30	3/18/2049
Haciendas Phase IV - Dai-Ichi	34-54 Rossi Street	41			41					40			40		2016	30	3/17/2045
Moon Gate Plaza	21 Soledad St	90	81		4	5				88		12	76		2020	55	11/24/2075
Catalyst Apartments	235 Martella St	5			5					5			5		2022	15	11/18/2020
	Total	**285**	**81**	**0**	**84**	**68**	**46**	**6**	**0**	**279**	**0**	**52**	**227**	**0**			

Map of Downtown Area Affordable Housing Projects

2017 Housing Target Market Analysis

- Demand for ownership and rental residential projects
- Consumer preference for market rate infill housing
- Traction for adaptive reuse projects
- Significant development risks:
  - Public safety
  - Homelessness
  - Lack of open space
  - Low school performance
  - Traffic
  - Untested market
- Housing incentives to reduce costs needed

2022 Housing Target Market Analysis Update

- Inclusionary housing would constrain momentum
- Salinas market has become more expensive since Covid-19
- Ownership less affordable, rental more affordable
- Construction costs are extremely high
- Higher density market rate rental and ownership have negative residual value
- Micro-rental units show best project feasibility
- Downtown Area exemption should remain in place

Timing for Inclusionary Housing Update

- Inclusionary Housing Ordinance re-evaluated every 5 years
- Review of ordinance due in 2022
- Staff capacity severely limited:
  - COVID 19 Funding
  - Project Roomkey
  - Project Homekey
  - Emergency Rental Assistance Program
  - 6th Cycle of Housing Element
- Scheduled to begin update of ordinance in summer 2023
- During update of ordinance, ability to conduct “deeper dive” into Downtown Exemption

Questions?