

INCLUSIONARY HOUSING ORDINANCE STUDY SESSION

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City Council
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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 Grdens | 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

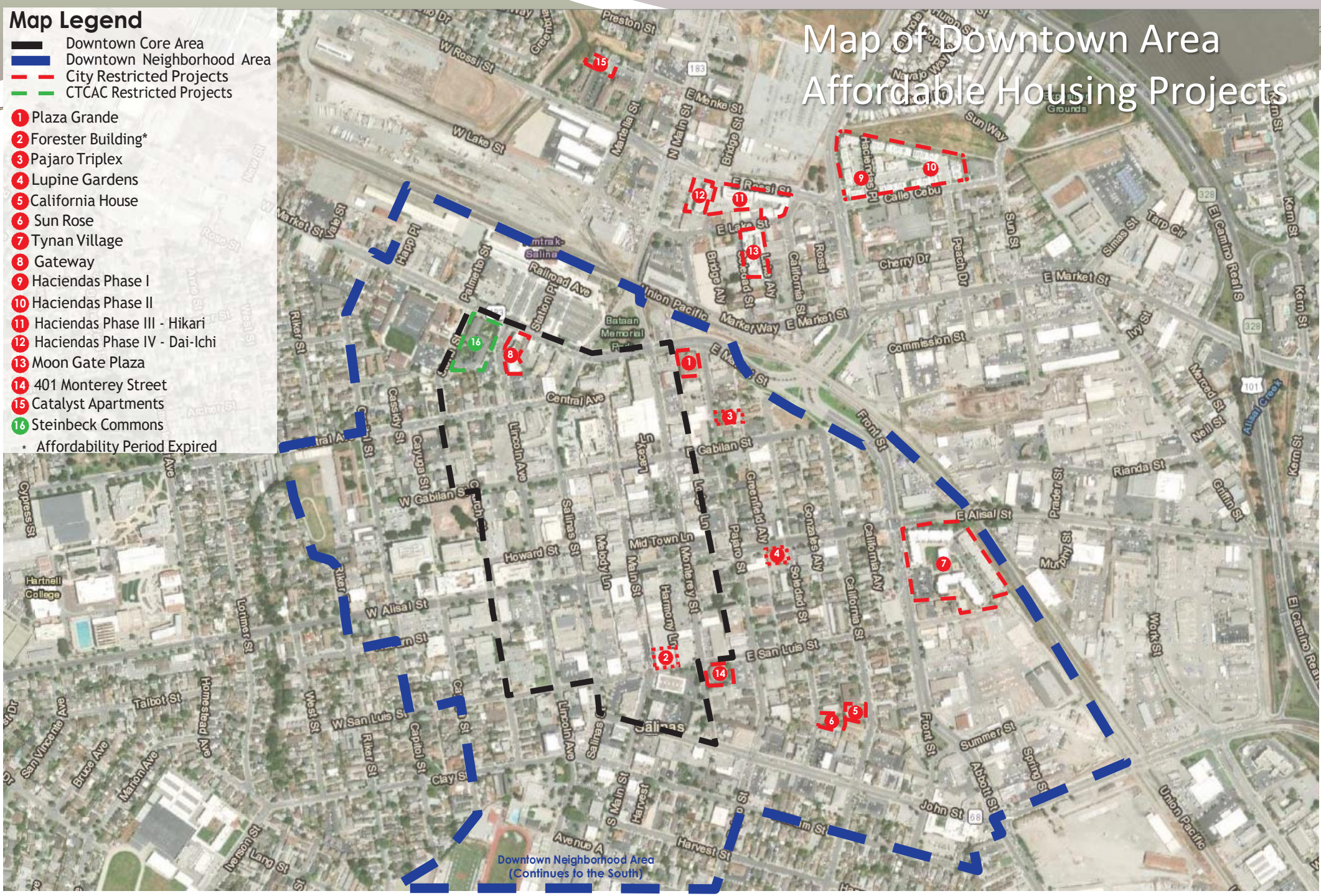
| Property Name | Property Address | Total Units | Bedrooms | | | | | | | No. of Restricted Units | Income Level | | | | Year Constructed | Affordability Term | Restricted Expiration |
|-------------------------------|-------------------------------|-------------|-----------|----------|-----------|-----------|-----------|----------|----------|-------------------------|---------------|-----------|------------|----------|------------------|--------------------|-----------------------|
| | | | 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 Legend

-  Downtown Core Area
-  Downtown Neighborhood Area
-  City Restricted Projects
-  CTCAC Restricted Projects

- 1 Plaza Grande
 - 2 Forester Building*
 - 3 Pajaro Triplex
 - 4 Lupine Gardens
 - 5 California House
 - 6 Sun Rose
 - 7 Tynan Village
 - 8 Gateway
 - 9 Haciendas Phase I
 - 10 Haciendas Phase II
 - 11 Haciendas Phase III - Hikari
 - 12 Haciendas Phase IV - Dai-Ichi
 - 13 Moon Gate Plaza
 - 14 401 Monterey Street
 - 15 Catalyst Apartments
 - 16 Steinbeck Commons
- * Affordability Period Expired

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?

