



## **CITY OF SALINAS COUNCIL STAFF REPORT**

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**DATE:** MARCH 19, 2018

**DEPARTMENT:** COMMUNITY DEVELOPMENT

**FROM:** MEGAN HUNTER, DIRECTOR

**TITLE:** AN ORDINANCE AMENDING SECTION 37-50.300  
(TEMPORARY USE OF LAND) OF CHAPTER 37 OF THE  
SALINAS MUNICIPAL CODE FOR TEMPORARY EMPLOYEE  
OR INTERIM HOUSING IN AN EXISTING PROPERTY  
DEVELOPED AS A HOTEL OR MOTEL (ZCA 2019-001)

### RECOMMENDED MOTION:

A motion to find the project to be Categorically Exempt from the California Environmental Quality Act (CEQA) and to adopt the attached ordinance amending Chapter 37 of the Salinas Municipal Code (Zoning) to permit temporary employee or interim housing in existing properties developed as a hotel or motel.

### RECOMMENDATION:

Staff recommends that the City Council find the project Categorically Exempt from CEQA and adopt the attached ordinance approving Zoning Code Amendment 2019-001 to permit temporary employee or interim housing in existing properties developed as a hotel or motel.

### EXECUTIVE SUMMARY:

This proposed Zoning Code Amendment would permit temporary employee or interim housing in existing properties developed as a hotel or motel on the 29<sup>th</sup> day of occupancy through a Temporary Use of Land Permit (TULP) process. The proposed amendment would limit the use of a hotel/motel for this purpose to a six-month period with one six-month extension, not to exceed one year. The proposed amendment also includes operational standards to ensure community compatibility and to minimize potential hazards. The amendment would facilitate the urgent need for short-term housing while the city works with key stakeholders to develop a long-term solution.

### BACKGROUND:

Chapter 37, Article VI, Division 14 provides for a process whereby all Zoning Code Amendments are brought before the Planning Commission for a recommendation and then to the full City Council for a final decision. The Planning Commission considered the proposed amendment at its meeting on March 6<sup>th</sup> and recommended that City Council find the project to be categorically exempt from the California Environmental Quality Act and introduce and then adopt Zoning Code

Amendment 2019-001. A public hearing notice for the March 19<sup>th</sup> City Council meeting regarding the proposed amendment was publicized in the Monterey County Herald on March 9, 2019. The proposed amendment would allow for employee and interim housing as a temporary use beyond the twenty-eight (28) day occupancy restriction for hotels or motels.

On December 4, 2018, the City Council received a report from the National Resource Network outlining a plan to eliminate the City's structural deficit. This report now referred to as The Salinas Plan also recognized that "Salinas's housing crisis threatens community and economic health – and adds to the City's budget pressures with increased service demands and potential dampening of the private investment that helps to drive revenue growth". As a result, The Salinas Plan includes multiple recommendations on ways to combat escalating housing costs and overcrowding within the dynamics created by the region's agricultural and farmworker economy. One of these recommendations specifically contemplates ways to adapt motels/hotels for seasonal workers and as emergency housing for the homeless through a Master Lease Program. Although a Master Lease Program is a promising concept, the city currently lacks the resources to pursue such a program in the short term.

The Salinas Plan, like the Farmworker Housing Study and Action Plan of the Salinas Valley and Pajaro Valley, stresses the need for an immediate solution to provide safe, decent housing for both employee and emergency housing. The Plan notes that many low performing hotels and motels in Salinas and in the region are being used to house agricultural workers despite the occupancy restriction in the Zoning Code. Both studies encourage the city to facilitate the conversion of these hotels/motels because of the potential consequences. Enforcement of the zoning occupancy provision could force seasonal or H-2A housing into residential areas where permanent residents including farmworkers are in jeopardy of displacement. For this reason, the Farmworker Housing Study, which focused on the creation of permanent farmworker family housing, also specifically includes an action to "collaborate with other jurisdiction to develop a model ordinance for the temporary use of motels/hotels for H-2A or other seasonal farmworkers".

Growers, labor contractors, food processors, housing developers and advocates, farmworkers, and neighborhood residents have expressed the need to evaluate our zoning and address the needs of labor housing and more recently homelessness. More recently, City Council and the CDBG and Housing Subcommittee have requested that staff draft legislation that would expand employee housing while preserving neighborhood character. The Mayor convened a stakeholder group of agricultural labor contractors, growers, and housing advocates to provide direction to staff on possible legislation. At the meeting on February 21<sup>st</sup>, stakeholders agreed to proceed with the proposed amendment with the understanding that the group would continue to meet to assist in the development of an ordinance that would allow for a more permanent housing solution. Staff also presented the proposal to the City Council CDBG and Housing Subcommittee on January 29, 2019 and February 26, 2019 and received general support for the proposal.

While the proposed amendment is in place, city staff would be able to develop a more comprehensive ordinance, which addresses challenges such as building code requirements, conformance with underlying zoning, and loss of transient occupancy tax. The proposed ordinance would allow the city to address the most pressing need while having enough time to craft a well-conceived permanent solution that can serve as a model for other jurisdictions.

## DISCUSSION:

As discussed above, two key plans – The Salinas Plan and Farmworker Housing Study and Action Plan for the Salinas Valley and Pajaro Valley recognize the need for the conversion of the hotels/motels for agricultural or emergency housing. Furthermore, multiple stakeholder groups acknowledge that the conversion of these underperforming hotels/motels is preferable to potential displacement if these uses are prohibited in hotels/motels. The proposed amendment will provide the city time to develop a more permanent solution while allowing temporary housing in hotels/motels during the critical growing season. This will ensure the city continues to support the goals and policies in the Economic Development Element, which recognizes agriculture as a critical component of the city’s overall economic prosperity. City staff will continue to work with the stakeholder group to present permanent legislation for City Council consideration by November of 2019.

The proposed amendment is consistent with the Salinas General Plan and other plans and policies adopted by the Salinas City Council and would not result in uses inconsistent with any land use designation. The amendment would allow the City to create a temporary mechanism to convert underutilized hotels/motels for critical housing. The City of Salinas is facing a housing crisis as documented in the 2017 Monterey County Point in Time Count, which identified 1,367 Salinas residents as homeless. The 2018 Farmworker Housing Study and Action Plan for the Salinas Valley and Pajaro Valley further underscores the housing need, determining that additional 45,560 units of farmworker housing are needed just to alleviate critical overcrowding in farmworker households.

As stipulated in the attached draft ordinance, the amendment would be consistent with multiple provisions of the Land Use Element of the General Plan including Goal LU-3 which encourages “a diverse economy that allows for the continued economic success of the community, while not sacrificing its agricultural base” and Policy LU-3.8 which encourages “the production of housing that meets the needs of agricultural and other essential workers within the community”. Through this amendment the city can permit temporary conversion of hotels/motels for housing to meet the needs of our vital workforce without sacrificing the agricultural industry. Because the proposed amendment contains requirements for operation and maintenance and regular inspections by the Fire Department and Code Enforcement, LU-4.2 regarding “the enforcement of regulations, such as zoning and building codes to ensure existing and new development is constructed, occupied, and maintained to minimize potential fire and other hazards” can be advanced.

Although the proposed amendment addresses multiple General Plan goals and policies in the Land Use, Community Design, and Economic Development Elements, perhaps the most significant General Plan consistency is with the Housing Element. As recognized in The Salinas Plan, there is no doubt that the city is confronting a housing crisis. The city and surrounding region face overcrowding as further highlighted in the Housing Element, Approximately, 17.5 percent of all households in Salinas have been identified as overcrowded and 5.1 percent as severely overcrowded. Not only is Salinas overcrowded, but much of the population is also considered cost burdened. For example, about 25 percent of renters paid more than 50 percent of their income towards housing costs. Consequently, the Salinas metro area is in the top ten least affordable places to live in the United States, according to an analysis of 2016 census data by Harvard’s Joint Center

for Housing Studies. The proposed ordinance allows for conversion of underutilized motel/hotel rooms for employee and emergency housing to address these shortfalls. Similar ordinances have been adopted in places like Los Angeles, San Jose, and Lake Tahoe, which also must tackle extreme housing shortages and cost burden. Ultimately, the proposed ordinance allows the city to “reduce municipal constraints to the production, maintenance, and development of decent, safe housing” as established Policy H-1.8.

The agricultural industry is a major economic engine for the City. For example, the Farmworker Housing Study found that the “estimated number of unique individual agricultural workers employed in the region during 2016 was 91,433” and “farm cash receipts (inflation-adjusted 2016 dollars) increased by 14%, to \$5.2 billion”. The need for labor to serve these industries is quite acute and unfortunately due to a decline in the permanent labor force, agriculture has had to increasingly rely on the H-2A visa program. By 2017, the number of H-2A working in the Salinas-Pajaro Laborshed was more than 4,300, up from just 636 three years earlier. Because the H-2A Program requires that employers provide housing combined with Salinas’ severe housing shortage, employers often turn to hotels/motels to provide housing. Without the use of these hotels/motels for housing, the agricultural workforce would significantly decline, thereby substantially decreasing productivity and negatively impacting the city’s overall economic prosperity.

The amendment will not have the effect of reversing the policies of the Salinas General Plan, any applicable Specific Plan, and other plans and policies adopted by the Salinas City Council. The amendment would allow for the temporary use of underutilized hotels/motels for employee and interim housing to facilitate multiple housing and economic development provisions in the General Plan. For example, formerly underperforming hotels/motels with high vacancy rates and minimal economic activity have been used in the past for employee or interim housing. When hotels/motels have been used for this purpose, it has resulted in new investment along commercial corridors such as John and Main Streets. By extending the provisions of this amendment for interim housing to address the needs of certain segments of the population that have difficulty accessing safe housing such as the homeless, the city can advance Policy H-3.5 by encouraging and supporting “the provision of housing and services for homeless individuals and families...through public-private partnerships, and through local collaborative efforts”. Finally, the proposed amendment includes operational provisions to ensure compatibility with neighboring properties and through inspections minimizes potential hazards and promotes proper maintenance, which reinforce multiple policies in the General Plan.

#### *Planning Commission Review:*

A public hearing notice for the March 6<sup>th</sup> Planning Commission meeting regarding the proposed amendment was publicized in the Monterey County Herald on February 23, 2019. On March 6, 2019, after public review and comment, the Planning Commission voted 7-0 to recommend that the City Council introduce and then adopt the accompanying ordinance amending Chapter 37 of the Salinas Municipal Code (Zoning) to permit temporary employee or interim housing in existing properties developed as a hotel or motel. During the hearing, Mr. Sanchez spoke on behalf of the Strawberry Commission in favor of the draft ordinance. The Planning Commission commented that proposal was a win/win for the community by allowing for the short-term use of hotels/motels

for critical housing in a regulated manner. The commission also commented that city staff should continue working quickly on an ordinance for a long-term solution.

#### DEPARTMENT COORDINATION:

The proposed amendment has been discussed among all six divisions of the Community Development Department especially the Current Planning, Code Enforcement, and Housing Divisions. As always, the Legal Department provided critical review of the proposed ordinance revisions. The Development Review Committee (DRC) comprised of the Permit Services Division (Building), and Public Works (Development Engineering) and Fire (Fire Prevention) Departments also provided feedback. The City Manager continued to provide support of the effort. The Mayor assumed a critical leadership role by convening stakeholders among agricultural employers and housing advocates to discuss the proposed ordinance and separately among hotel/motel operators. On March 4, 2019, the item was presented to the Finance Committee.

#### CEQA CONSIDERATION:

The environmental impacts of the project have been analyzed in accordance with the California Environmental Quality Act (CEQA). The proposed Amendment is categorically exempt (Class 5) from further environmental analysis per CEQA Guidelines Section 15305 (Minor Alterations in Land Use Limitations). The project is also categorically exempt from CEQA pursuant to Guidelines section 15061(b)(3). This exemption is allowed when the activity, in this case the temporary use of hotel or motels for employee or interim housing, does not have the potential for causing a significant effect on the environment.

#### STRATEGIC PLAN INITIATIVE:

The proposed Zoning Code Amendment supports City Council's goal of Economic Diversity and Prosperity and Well Planned City and Excellent Infrastructure by balancing the urgent need for temporary housing for employees particularly agricultural workers in order to advance economic prosperity, while protecting neighborhoods and ensuring housing safety as staff continues to work with community stakeholders on more permanent housing solutions.

#### FISCAL AND SUSTAINABILITY IMPACT:

State and city regulations allow for the collection of transient occupancy tax (TOT) for the first twenty-eight days of occupancy. Under the new Zoning Code Amendment, hotel/motel operators would still be required to pay TOT for the first twenty-eight days of occupancy. This is consistent with the current practice of hotel/operators currently under contract with agricultural employers. Therefore, it is anticipated that the loss in TOT would be negligible. A motel/hotel operator would be limited to a maximum of one year for this temporary use. Thus, the potential financial impact on the city is further limited. By providing a temporary solution for housing, this amendment allows time for the city to fully evaluate impact on TOT under a more permanent approach. Administration and inspection fees would be collected to offset any direct costs of this amendment.

ATTACHMENTS:

Draft Ordinance

Planning Commission Staff Report dated March 6, 2019

Planning Commission Resolution No. 2019-001