

Exhibit F

Applicant's proposal to Housing
Advisory Committee (HAC)

July 14, 2010

AND

RMA Redevelopment & Housing Memo
November 19, 2010.

MONTEREY COUNTY HOUSING ADVISORY COMMITTEE

MEETING: July 14, 2010	AGENDA NO.: 4a
SUBJECT: Consider a proposal from the Widewaters Group to comply with the Inclusionary Ordinance for the Villas de Carmelo Project by paying an In-Lieu Fee	
DEPARTMENT: RMA – Redevelopment and Housing Office	

RECOMMENDATION:

Receive updated information on form of Inclusionary compliance and provide input to staff.

SUMMARY:

The Housing Advisory Committee (HAC) has reviewed the proposed Inclusionary Housing compliance for this project several times previously and provided input. Based on this input and discussions with Housing staff (Staff), the applicants have decided to pursue compliance through the payment of an in-lieu fee but have requested additional clarification.

DISCUSSION:

The Widewaters Group has applied for development approvals for a 46-unit housing project on the old Carmel Hospital property located between Highway 1 and Valley Way near Carmel. The County is in the process of preparing an EIR. The HAC has previously received several presentations on the project by the applicants related to the appropriate form of Inclusionary Housing compliance. Originally, the applicants proposed to include nine moderate-income ownership Inclusionary units within the project. Based on input received from the HAC and as comments related to the EIR, the applicants revised their approach to compliance and proposed to supply off-site Inclusionary units. Their intention was to purchase an existing apartment building in the Monterey Peninsula area, most likely within the cities of Seaside or Marina, and rehabilitate and restrict the units to be affordable to very-low and low-income households. When presented with this option in December of 2009, the HAC provided the following comments:

- Build the Inclusionary units in unincorporated Monterey County (not in a city), so that the County can receive the housing credit.
- Build the Inclusionary units close to the project site and meet the housing needs of the local community as the intent of the County Inclusionary Ordinance is to promote integrated communities where affordable housing is not separate from new developments.
- Ensure that low-income households are not displaced if off site units are built or rehabbed.
- Require the applicants to provide a long term financing plan.
- Assess their management capacity of the applicants if they plan to rehabilitate an existing building and manage an affordable property.
- Ensure close coordination in regard to compliance within an incorporated city to ensure feasibility.
- Ensure people with disabilities are accommodated in the accessible units via marketing and working with local service providers.

Subsequent to the December 2009 HAC meeting, the applicants and Staff discussed feasible options that would address the HAC's concerns. A number of challenges were identified related

to supplying off site Inclusionary units including the constraints in developing new housing projects in the unincorporated areas of the Monterey Peninsula and the lack of existing high-density apartment complexes that could be purchased by the applicants for conversion to affordable housing. Based on these discussions, Staff sent the applicants a letter outlining two potential options which included providing off site Inclusionary units or paying a significant In-Lieu Fee (approximately \$2.5 million) that could then be leveraged by the County to assist a non-profit in constructing or rehabilitating affordable housing in the area. The applicants responded that they would like to pursue the In-Lieu Fee option but requested additional clarification from staff, which was provided. Copies of this correspondence is attached.

The HAC is being asked to consider the option selected by the applicant of paying the In-Lieu Fee and provide input to staff related to if this option is appropriate given the unique characteristics of the project and the specific terms that should be required if an In-Lieu fee is allowed.

Prepared By:

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MONTEREY COUNTY

RESOURCE MANAGEMENT AGENCY



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MEMORANDUM

Date: November 19, 2010

To: Liz Gonzales, Planning

From: Marti Noel, Assistant Director

CC: Carl Holm, Planning

Re: **VILLAS DE CARMELO – INCLUSIONARY COMPLIANCE**

The purpose of this memo is to provide updated analysis related to compliance with the County's Inclusionary Ordinance. A recommended Condition of Compliance and Finding and Evidence are also included.

1. The project is subject to the County's Inclusionary Ordinance #04185. The Inclusionary Housing Ordinance requires that the project supply compliance equal to 20% of the total number of units proposed and further, that the 20% consist of 6% very low, 6% low and 8% moderate income units. The units are to be provided on site unless an alternative form of compliance is approved (with appropriate findings) by the approving authority. The project is therefore obligated to supply compliance equal to 9.2 inclusionary units with 2 at the very low income level, 3 at the low income level and 4 at the moderate income level and payment of an in-lieu fee for the remaining fractional .2 unit. The project application originally included 46 units, nine of which were to be moderate-income ownership Inclusionary units on-site.
2. On July 14, 2009 the Housing Advisory Committee (HAC) reviewed the proposed compliance and expressed a number of concerns including the following:
 - The proposal did not address the need for housing for very low and low income households in the Planning Area.
 - The HOA fees would be too expensive for the Moderate Income Inclusionary Owners
 - With the down turn of the economy there are non-restricted for sale units affordable to the Moderate income level in the County so there may not be enough interested buyers.
 - A rental component could be considered for the lower income families but would be difficult to integrate into this high end project.
3. The applicant and the RHO staff met several times to discuss options including constructing inclusionary rental units off-site, converting and rehabbing existing rental units to inclusionary units, or paying a fee. Several constraints were indentified with the off-site option. The only available land that could support a multi-family project in the Planning Area is most likely in the cities. New development in the Planning

Area is severely constrained by availability of water. The Inclusionary Ordinance requires that the off-site units be in the same Planning Area and does not allow use of existing units for compliance.

4. The option of paying an in-lieu fee was discussed with staff. The fee would be approximately \$2.5 million and could be leveraged by the County in partnership with a non-profit to construct affordable and/or special needs housing. This option would allow the applicants to comply by paying the fee early on and then the County being able to use the money in conjunction with other funding for housing that meets specific needs in the community. It is likely a greater number of units can be developed with this approach.
5. On July 14, 2010 the Housing Advisory Committee (HAC) considered the proposal of paying the in-lieu fee for full compliance. The HAC supported this approach but did state that they were interested in seeing the fee used for new or rehabbed housing in the Planning Area, although they acknowledged the constraints associated with water.

Based on the above the Redevelopment and Housing Office is recommending the following Condition of Approval and Finding and Evidence:

Condition of Approval:

The project is subject to the County's Inclusionary Housing Ordinance, #04185. Prior to the recordation of the Final Map, the applicant shall pay an Inclusionary In-Lieu Fee, based on the In-Lieu Fee Schedule (dated December 2000) for the entire 9.2 unit obligation. The Redevelopment and Housing Office shall prioritize use of the In-Lieu Fee for the production of affordable housing benefiting the housing needs in the Monterey Peninsula Planning Area if feasible.

FINDING: **INCLUSIONARY HOUSING:** The project is subject to the Monterey County Inclusionary Housing Ordinance #04185, codified in Section 18.40 of the County Code. Section 18.40.50.B.2 of the County's Inclusionary Ordinance allows for modifications to the requirements for compliance based on unusual or unforeseen circumstances. This project meets the criteria to pay an In-Lieu Fee as full compliance under the requirements of the Inclusionary Housing Ordinance as evidenced below.

EVIDENCE:

- a) The project is a for sale housing project that can not feasibly include low and very low income rental units on-site which would best meet the housing needs in the Planning Area.
- b) The project will include Homeowners Association Fees that will be excessive for low and moderate income households.
- c) The only available land that could likely support a multi-family project in the Planning Area is most likely in the cities. New development in the Planning Area is severely constrained by availability of water. The Inclusionary Ordinance requires that the off-site units be in the same Planning Area and does not allow use of existing units for compliance.
- d) The County Redevelopment and Housing Office has been very successful in leveraging County funding with outside funding sources to achieve a greater number of affordable units at a deeper level of affordability and/or serve special needs populations. It is anticipated that the In-lieu Fee that will be paid for this project can be leveraged to produce two or three times the number of units that would otherwise be provided on-site in this project.
- e) On July 14, 2010 the Housing Advisory Committee voted to recommend that the project be allowed to pay an In-Lieu Fee for full compliance.