

ORDINANCE NO. 2594 (N.C.S.)

**AN ORDINANCE OF THE CITY OF SALINAS AMENDING ARTICLE III OF
ARTICLE 17 (HOUSING) OF THE SALINAS MUNICIPAL CODE RELATING TO THE
PROVISION OF INCLUSIONARY HOUSING**

BE IT ORDAINED BY THE COUNCIL OF SALINAS:

SECTION ONE: Finding and Declarations.

The city council of Salinas finds and declares as follows:

- a) Although Salinas has historically included much of the housing affordable to Monterey County's workforce, housing costs have escalated sharply, increasing faster than incomes for most groups in the community. In 2014, the Salinas Metropolitan Statistical Area (MSA) ranked as the fifth least affordable region in the United States. There is a severe shortage of adequate, affordable housing for extremely low, very low, lower, median, moderate, and workforce income households, as evidenced by the following:
 - (1) According to the Salinas housing element, 12.7 percent of Salinas households are extremely low income households; 15.6 percent of Salinas households are very low income households; and 19.1 percent are lower income households. In 2014 only 16.7 percent of the homes sold in the Salinas MSA were affordable to a household earning the area's median income, and prices have risen rapidly since then. Median rents are not affordable to extremely low, very low, and lower income households, which together comprise almost half the city's population.
 - (2) Because of the shortage of affordable housing in Salinas, half of the households in the city overpay for housing. The housing element found that forty-nine percent of Salinas households who own their homes pay more than thirty percent of income for housing, and twenty-four percent pay more than fifty percent of their income for housing. Fifty-two percent of renter households pay more than thirty percent of income for housing, and twenty-four percent of renter households pay more than fifty percent of their income for housing. These households are overpaying for their housing, according to standards of the United States Department of Housing and Urban Development, and the percentage of those overpaying has substantially increased since 2000, when thirty-one percent of Salinas owners and forty percent of Salinas renters paid more than thirty percent of their income for housing. Nearly three-quarters of lower income households are overpaying for housing. Providing decent housing at affordable costs allows households to utilize their resources for other necessary pursuits, such as education, food, investment, and saving for retirement. Providing decent rental housing at affordable costs allows households to save money to purchase a home.
 - (3) Many households are overcrowded. According to the housing element, Salinas households are much larger than the state average. The average household size in Salinas is 3.66, while in California the average household size is 2.90. Over seventeen percent of all households

in Salinas are overcrowded. Five percent of households in the city are severely overcrowded.

- b) The 2015-2023 regional housing needs allocation for the city, mandated by California Government Code Section 65584 and prepared by the Association of Monterey Bay Area Governments, states that fifty-eight percent of new housing in Salinas should be affordable to very low, lower, and moderate income families. Federal and state government programs do not provide nearly enough affordable housing or subsidies to provide the required percentage of moderate, lower, or very low income households.
- c) Goal H-1 in the city's housing element is to provide a variety of affordability levels to address existing and projected housing needs in Salinas. It is the city's policy to enhance the public welfare by encouraging a variety of housing types to give households of all types and income levels the opportunity to find suitable housing. (Policy H-1.1) It is also the city's policy to encourage the geographic dispersal of affordable housing throughout the city. (Policy H-1.6) The housing element further encourages the development of affordable housing with a focus on the needs of the local workforce (Policy H-3.1), through inclusionary housing (Policy H-3.7), and through collaborative partnerships with market-rate housing developers (Policy H-3.8). The city can achieve its goals of providing more affordable housing and achieving an economically balanced community only if part of the new housing built in the city is affordable to households with limited incomes.
- d) Action H-8, "Inclusionary Housing" in the city's housing element states that the city will continue to implement its inclusionary housing program and is in the process of updating the inclusionary ordinance, including reviewing the in-lieu fee. The city intends to review and update if necessary its inclusionary ordinance every five years. The proposed amendments to the inclusionary ordinance are intended to implement housing element action H-8. In particular, to ensure economic feasibility, the proposed amendments reduce the amount of affordable housing required in for-sale projects to 15 to 20 percent (compared with 20 to 35 percent in the city's existing ordinance), allow developers to pay an in-lieu fee as an alternative to providing the required on-site affordable units, and provide additional options that a developer may elect to meet its affordable housing requirements.
- e) The amended inclusionary ordinance codified in this article will substantially advance the city's legitimate interest in providing additional housing affordable to all income levels and dispersed in residential developments in the city because all inclusionary units required by the ordinance codified in this article, including both rental and ownership units, must be affordable to very low, lower, median, moderate, and workforce income households.
- f) New market-rate rental residential developments will create local-serving jobs, of whom a quantifiable number will have very low, low, or moderate incomes, and so will increase the demand for and exacerbate the shortage of housing available for households at these income levels, as demonstrated in the Housing Impact Fee Nexus Study prepared by Vernazza Wolfe Associates, Inc. in January 2016. An additional residential rental housing feasibility study was conducted by Vernazza Wolfe Associates, Inc. in March 2017. The amendments included in this ordinance allow the city to adopt a rental housing impact fee.