



CITY OF CARMEL-BY-THE-SEA

6th Cycle Housing Element Amendment Strategies

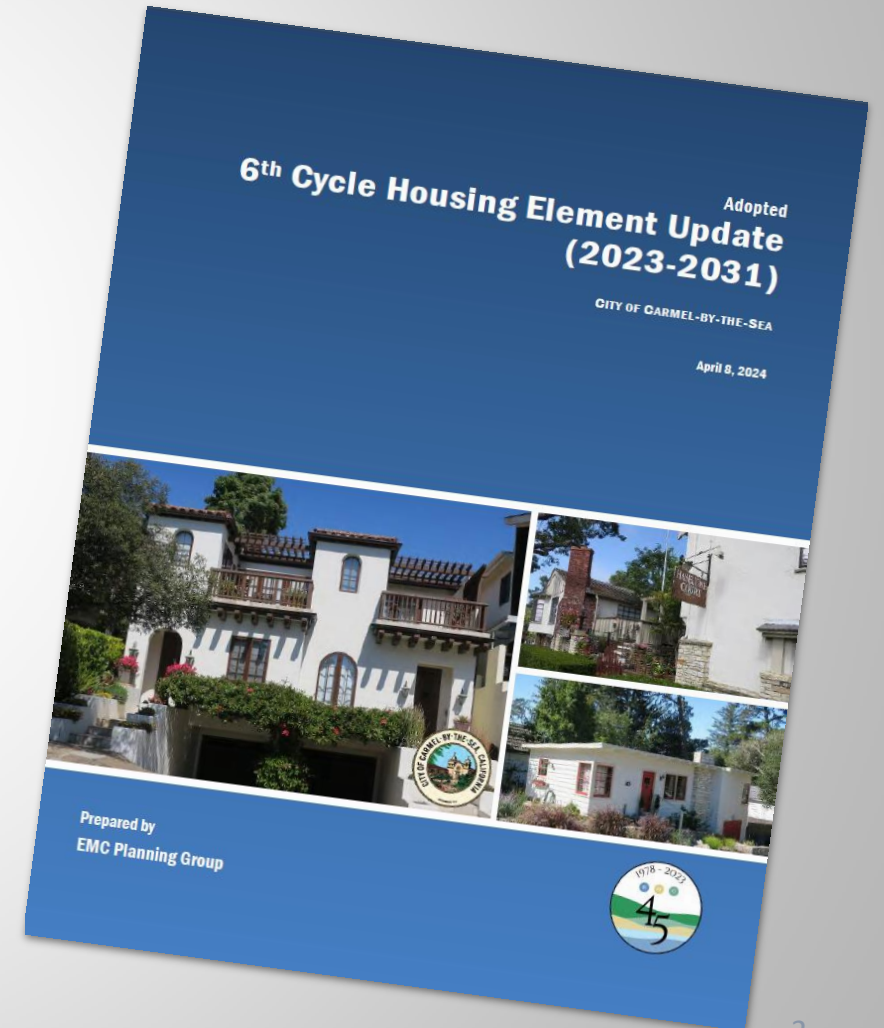
Joint City Council/Planning Commission Meeting

May 20, 2025



Tonight's Agenda

- ❑ Review draft Housing Element Chapter 2
- ❑ Review draft Housing Element Appendix C
 - ❑ How did we get here?
 - ❑ What happens next?
 - ❑ The Five Strategies
 - ❑ Other Revisions
 - ❑ Q&A / Feedback





How did we get here?

- State of CA estimated a need for 2.5 million new homes
- A regional share of 33,274 units assigned to Monterey and Santa Cruz counties and cities
- Carmel-by-the-Sea's share is 349 units (231 affordable)
- Potential sites must be identified to accommodate these units
- Adopted the 6th cycle Housing Element in April 2024
- Protected the village from builder's remedy



How did we get here?

- 65 percent of affordable housing on two city-owned sites (149 units)
- Resident-led Affordable Housing Alternatives 'AHA' Group
- Adoption of City Council Resolution 2024-062 to explore a housing element amendment
- Got creative - Revised Housing Element programs to disperse affordable housing throughout the village
- Focus on: Hotels, Downtown, ADUs, and Churches
 - Each program contributes = Diversification of units
 - Conservative approach towards potential of each program



How did we get here?

- City staff and the AHA Group have met for the last 10 months
- Subcommittees focused on specific topics
- Researching best practices, collecting and analyzing data, reviewing state law and other housing element programs, hosting community workshops, meeting individually with developers, churches, and property owners
- Retained consultant Veronica Tam to assist with technical aspects of housing element law
- Regular meetings with the State Housing and Community Development (HCD) to review strategies
 - Positive feedback - “Constraints to Opportunities”



What happens next?

- May 20th joint City Council-Planning Commission meeting
 - Second review of Chapter 2 and Appendix C
 - Answer questions, receive feedback
 - Incorporate feedback, polish drafts before submitting to the State for informal 'friendly' review
 - Target submittal date: May 30th
 - Estimated state review time: 3 weeks
- **NOTE:** Planning vs. Implementation
 - We are at the planning stage
 - PC and Council review/approval of implementation measures



Affordability

What is considered
affordable?



2025 Annual Income Limits

Monterey County

2025 Annual Income Limits for Monterey County			
Income Limits	Very Low 31-50%	Low 51-80%	Moderate 101-120%
No. of People			
1	\$ 50,600	\$ 81,000	\$ 87,800
2	\$ 57,850	\$ 92,600	\$ 100,300
3	\$ 65,100	\$ 104,150	\$ 112,850
4	\$ 72,300	\$ 115,700	\$ 125,400

- Income limits are a percentage of “Mean Income” as reported by County of Monterey



2025 Monthly Rent Limits

Monterey County

2025 Monthly Rent Limits for Monterey County			
Income Limits	Very Low 31-50%	Low 51-80%	Moderate 101-120%
No. of People			
1	\$ 1,265.00	\$ 2,025.00	\$ 2,195.00
2	\$ 1,446.25	\$ 2,315.00	\$ 2,507.50
3	\$ 1,627.50	\$ 2,603.75	\$ 2,821.25
4	\$ 1,807.50	\$ 2,892.50	\$ 3,135.00

- Income limits are a percentage of “Mean Income” as reported by County of Monterey



The Five Strategies: Leveraging Constraints into Opportunities

Hotel-to-Residential
Conversion
(Hotel 'Key' Transfer)

Downtown Mixed-
Income
Incentive Program

Downtown
Live/Work Program

Accessory
Dwelling Units

Housing on
Religious Facility
Owned Property



Hotel Program



#1 Hotel-to-Residential

CONVERSION OF UNDERPERFORMING HOTELS TO MIXED-INCOME HOUSING (i.e. some affordable units, some market rate units)

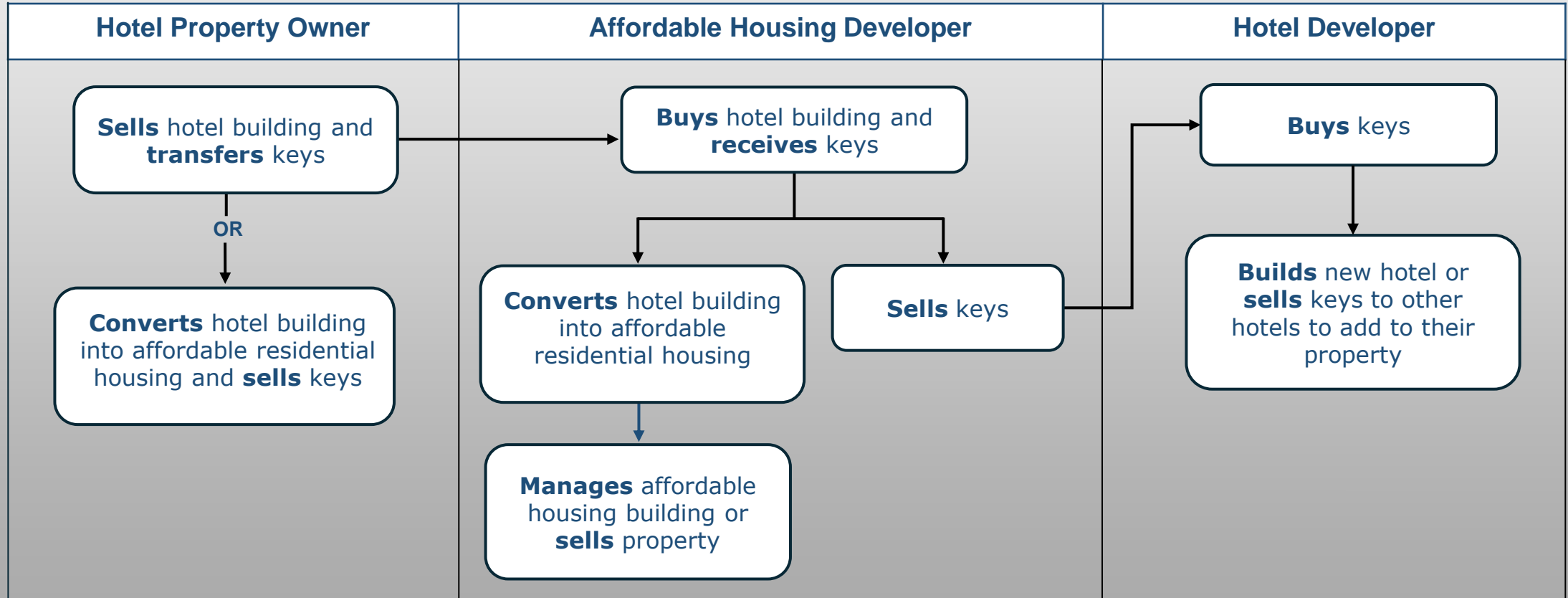
- Program historically referred to as 'Transfer of Development Rights'
- OLD: 1.3.B - Encourage the conversion of hotels to multi-family with 15% affordable units and transferring the hotel rooms to another site in the commercial district (**minimum ½ acre hotel site size requirement**)
 - Incentive is allowing the transfer in exchange for the housing
- NEW: 1.1.F - 'Hotel Keys' program is reinvented and expands the sale and transfer of room rights from an underperforming hotel that is converted into mixed-income housing (**no minimum hotel site size requirement**)





#1 Hotel-to-Residential

How it works





#1 Hotel-to-Residential

How it pencils

Basic Proforma of Hotel Program 1.1.F - Sample Hotel		
<i>19 room hotel - conversion ratio of 85% to 16 room apartment</i>		
Summary	Project	Per Unit
Purchase price of hotel	\$ 5,900,000	
Conversion costs	\$ 1,600,000	\$ 100,000
Total developer investment	\$ 7,500,000	
Sale of converted hotel (now apartments)	\$ 5,100,000	
Sale of hotel keys	\$ 5,700,000	\$ 300,000
Total developer return	\$ 10,800,000	
Profit	\$3,300,000	
Return on Investment (ROI)	44%	



#1 Hotel-to-Residential Incentives

INCENTIVES

- Sale and transfer of room rights to another property in the commercial district
- FAR flexibility on hotel sites converted to mixed-income housing
- Allocation of water credits
- Expedited permit processing
- Waived or reduced permitting fees



#1 Hotel-to-Residential Benefits

PROGRAM BENEFITS

- Innovative Approach: Unlocks value of hotel keys to incentivize conversion of underperforming hotels into affordable residential housing
- Optimizes Resources: Repurposes existing underperforming hotels and upgrades hotel stock which will increase the City's TOT revenue
- Aligns With Village Character: Focuses on the conversion of small, scattered site hotel properties, integrating affordable housing into the fabric of our Village
- Utilizes Superpower: Carmel caps the hotel rooms permitted to operate in the city, which leverages the value of the keys (948 rooms as of Jan 1, 2025)
- Privately funded: No public subsidy or tax credits needed - economically viable



#1 Hotel-to-Residential

PROJECTED HOUSING UNITS

Hotel Room Conversion Potential	Rooms/Units
Hotel Rooms within Group 4 and 5 (Underperforming)	379
Hotel Rooms to Housing Units Conversions (85%)	322
Hotel Conversions During 6th Cycle Planning Period (50%)	161
Income Mix	
Very Low Income (25%)	40
Low Income (25%)	40
Moderate Income (25%)	40
Above Moderate Income (25%)	41

161



Downtown Program(s)



#2 Downtown Mixed-Income

DETAILS

- Goal: a program with broader applicability (beyond hotels and live/work sites) to incentivize construction of mixed-income housing downtown
- Inspired by the Trevvett Court concept (8,000 sf lot; infill site → 88 du/ac)
- Income mix – *tentatively* 30% affordable, 70% market rate

INCENTIVES

- Higher density (up to 88 du/acre, inclusive of all state/local bonuses, incentives)
- Water allocation credits
- Expedited processing
- Waived or reduced permitting fees



#2 Downtown Mixed-Income

BENEFITS

- Incentivizes the creation of mixed-income housing
- Distributes housing for various income groups throughout the village
- Economically viable - no public funding required
- Incentivizes larger bedroom count units encouraging families with children



#2 Downtown Mixed-Income

PROJECTIONS

- 3 sites proposed to be included in the housing element
 - Su Vecino Court
 - Cottage Restaurant
 - GBG building
- Projected Housing Units: 27 (9 affordable, 18 market rate)

27



#3 Downtown Live/Work

DETAILS

- Create a new “live/work” use category downtown: commercial storefront with residential space in rear (off-street or upper story space)
- Many off-street or upper story commercial spaces are under-utilized or vacant
- Rent is low – owner could make more money rent the space as a deed-restricted affordable live/work unit than as a strictly commercial space

INCENTIVES

- Higher rent = enhanced property value
- Water allocation credits
- Expedited permit processing
- Waived or reduced permit fees



#3 Downtown Live/Work

BENEFITS

- Utilize existing building square footage rather than constructing new buildings
- Provide affordable housing opportunities for creatives, shopkeepers, and entrepreneurs who can pay a single rent living and working in the same unit
- Encourage more local serving businesses downtown
- Activate areas of downtown with new full-time residents and commercial storefronts



#3 Downtown Live/Work

PROJECTIONS

- 20 properties with live/work potential
 - 259 commercial spaces fit the criteria
- 14 live/work properties listed for RHNA credit
 - 116 potential live/work units
 - Estimate = 85 units, all affordable to lower incomes

85

Projected Housing Units: 85 (all affordable to lower incomes)



ADU Program



#4 Accessory Dwelling Units

DETAILS

- Supercharged the Accessory Dwelling Units program
 - OLD: 1.3.C → NEW: 1.1.H
- Emphasizes implementing state legislation
 - Update local ADU Ordinance
 - Implement amnesty program
 - Explore pre-sales inspection program
 - Implement pre-approval of ADU plans, etc.
 - Monitor new state legislation related to ADUs





#4 Accessory Dwelling Units

DETAILS

- Encourage the use of ADUs as rental units
 - Explore a renter match program
 - Promote ADUs to the local workforce
- Identifies robust education and outreach programs
 - Community workshops
 - Property Owners Guide to ADUs
 - Property Owners mailings
 - Dedicated ADU webpage, etc.

Early Momentum

45 ADU's permits
or certificates of
occupancy issued
in *this* Cycle 6



#4 Accessory Dwelling Units

BENEFITS

- Increase the permanent housing stock
- Provide affordable housing options for the local workforce
- Provide additional full-time housing options for local seniors
- Increase full-time occupancy of ADUs through a renter match program
- Legalize unpermitted ADUs to ensure safety and encourage full-time occupancy

77

INCENTIVES

- Focus incentives on ADU's with assured low/affordable \$ rental rates

Projected Housing Units: 77 (23 very low, 23 low, 23 moderate, 8 market rate)



Religious Facility Program



#5 Religious Facilities

DETAILS

- Outreach yielded significant interest in program
- From 1 church site to 3 church sites (& all local churches involved)
 - All Saints
 - First Church of Christ Scientist
 - Church of the Wayfarer
- From using SB-9 to SB-4: (2023 Affordable Housing on Faith and Higher Education Lands Act)
 - from 9 du/acre to 20 du/acre max, by-right, without re-zoning
- From default capacity calculation using buildable site area to using full site area
- From more minimal support to more robust service and financial support



#5 Religious Facilities

INCENTIVES

STATE

- Exemptions from environmental review
- Reduction in parking requirements
- Increased density
- By-right design approvals

CITY

- Priority water allocation
- Expedited application processing
- Reduced permitting fees
- Technical assistance
- Trust Fund support
- Partnership facilitation



#5 Religious Facilities

BENEFITS

65

- Encourages the natural synergy between supportive faith communities and those most in need of support
- Leverages properties that are some of the largest in the village (15.6 acres or 2.5%)
- Provides a means to translate stated interest into action
- Projected Housing Units: 65 (all affordable)



Does it All Add Up?....Yes.

	Very Low- Income Units	Low- Income Units	Moderate- Income Units	Above Moderate- Income Units	Total Units
RHNA Figures					
Total RHNA	113	74	44	118	349
Credits (ADUs and Pipeline Projects)	13	13	13	29	68
Remaining RHNA	100	61	31	89	281
Production by Program					
ADUs	23	23	23	8	77
Hotel Conversion	40	40	40	41	161
Church Properties	33	32	0	0	65
All Saints' Episcopal	10	10	0	0	20
First Church of Christian Science	7	6	0	0	13
Church of the Wayfarer	16	16	0	0	32
Live/Work Units	43	42	0	0	85
Mixed-Income Incentive Program	3	3	3	18	27
Other Housing Opportunities	0	2	0	52	54
Forest Cottages Specific Plan	0	2	0	4	6
Other Market Rate Scattered Sites	0	0	0	48	48
Total Capacity	142	142	66	119	469
Over Remaining RHNA	42	81	35	30	188
% Over Remaining RHNA	42%	133%	113%	34%	67%
SOURCE: City of Carmel-by-the-Sea, Community Planning & Building Department					



Other Revisions

- Local Universal Design Standards accidentally deleted, will be put back in

Program 3.2.C: Local Universal Design Standards – AFFH

Universal design is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design. To ensure accessible housing for all residents, the City will develop Universal Design Standards that incorporate accessibility design features that exceed current California Building Code requirements.

Quantified Objective: N/A

Timeframe: Adoption of Universal Design Standards by June 2026

Responsible Party: Community Planning and Building Department

Funding Source: General Fund

(Formerly Program 3-5.1: Reasonable Accommodation Procedures)



Other Revisions

- Overnight Visitor Accommodation - Employee Housing Program
 - Program retained but no longer for RHNA credit (OLD: 1.3.D NEW: 1.1.G)

Program 1.3.D – Overnight Visitor Accommodation - Employee Housing Program

The City has a number of overnight visitor accommodation (motels, hotels, inns) properties that would greatly benefit from incorporating affordable on-site employee housing. [Appendix C](#) provides a list of existing overnight visitor accommodation locations. These units would alleviate the current lack of housing that many hospitality employees that work in Carmel face. As an incentive to the owners/operators of motels, hotels, and inns to provide on-site affordable employee housing, the City will offer an additional overnight accommodation room for each onsite housing unit created. This incentive will serve to increase affordable rental housing, offset the loss of revenues for the business owners, and maintain visitor-serving coastal access. The City will amend the Municipal Code to allow at least one on-site affordable employee housing unit in conjunction with one new overnight visitor accommodation room.



Other Revisions

- Programs Deleted:
 - Program 1.1.B City-Owned Sites
 - Program 1.3.E Amend the A-2 Zoning District
 - Program 1.3.I Implement State Law SB10 Opportunities

Program 1.1.B: City-Owned Sites - AFFH

The City plans to pursue three (3) sites (#1, #2, and #3 in the Sites Inventory) over the next five years for the potential development of 149 total units over the three sites (124 affordable to lower-income households and 25 for

Program 1.3.E: Amend the A-2 Zoning District - AFFH

The Community and Cultural Center Zoning District, A-2, allows senior housing (55+) as a permitted use in addition to uses that provide cultural and community activities associated with the arts, education and recreation; however, development standards are not specified for the A-2 district.

Program 1.3.I: Implement State Law SB 10 Opportunities to Maximize Feasibility of Development in Strategic Locations.

SB 10 encourages strategic density within neighborhoods. Three (3) underutilized sites currently zoned R-1 and located on the periphery of the commercial district are occupied by non-residential



Other Revisions

- Formatting Changes:
 - Quantified Objectives/Time frame/Responsible Party/Funding Source

Policy 5.2: Promote public awareness and foster pride in the history of the village.

Program 5.2.A: Support Community Organizations - AFFH

Community organizations play a pivotal role to provide outreach and services to those facing housing issues. The City will continue to support neighborhood organizations that promote neighborhood involvement, safety and improvement, including but not limited to the Carmel Residents Association, the Carmel Foundation and the Carmel Heritage Society. The City will develop partnerships with these organizations to promote neighborhood enhancement programs, conduct and improve outreach and education, and solicit community input.

Quantified Objective: N/A

Timeframe: Proactive outreach and partnerships through June 2031

Responsible Party: Community Planning and Building Department

Funding Source: General Fund

(Formerly Program 3-4.2.b: Support Neighborhood Organizations)



Other Revisions

- Updated quantified objectives
- Updated timeframes

Policy 5.2: Promote public awareness and foster pride in the history of the village.

Program 5.2.A: Support Community Organizations - AFFH

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Quantified Objective: N/A

Timeframe: Proactive outreach and partnerships through June 2031

Responsible Party: Community Planning and Building Department

Funding Source: General Fund

(Formerly Program 3-4.2.b: Support Neighborhood Organizations)



Other Revisions

- Removal of scattered quotes

"I'm pretty passionate about affordable housing and diversity. I think that's what makes a community, and we do lack it. I have kids that live in the community and go to Carmel High School, and I would like to see more of a social, economic, and age difference in our community, personally."

May 24, 2023 Housing Ad Hoc
Committee Community Meeting

"I believe a vacancy tax should be proposed to the voters, which can go toward funding affordable housing. The City needs to frame affordable housing in a positive way. I feel like people's aversion to affordable housing in their communities is just a public relations failure."

May 24, 2023 Housing Ad Hoc
Committee Community Meeting

"... The land as it exists now, the way it's zoned, could support the 349 units, plus the buffer. So, the question then is how do we get people excited about developing some of those units?"

That's where these programs and processes come into play and that's why we need to amend the Municipal Code, to codify those things..."

May 24, 2023 Housing Ad Hoc



Planning Commission Feedback

- May 14th PC Meeting
- General support for revised programs and approach
- Specific feedback received:
 - Ensure ADU program has way to capture affordable ADUs that are not deed restricted for RHNA credit
 - Water will not be a barrier anymore - even above 14 acre foot allocation
 - Live/Work Program brings diversity to the downtown area
 - Ensure clear communication about financial viability of “Hotel Key” program
 - Concern about precluding any development on city-owned properties



Key Takeaways

- **Accomplishes goal** of dispersing 149 units from City property
- This is an **early draft** of revised Chapter 2, Programs and new Appendix C
 - Implementation to come after adoption
- The **substance of the revisions** focus on the five strategies and the Sites Inventory
- **Other revisions** are included in proposal
- The number of units each program is estimated to **yield may change** based on review by the State Department of Housing and Community Development (HCD)
- Approach sets the City up for **future Housing Element cycles**
 - Repeatable opportunities



Thank you!

AHA Group
City Staff
Advising Consultant



Questions and Feedback

FEEDBACK?

COMMENTS?

QUESTIONS?

IDEAS?