



October 7, 2024

To: Marnie Waffle  
 From: Veronica Tam  
 Subject: Carmel Housing Element Sites Strategy

## Understanding

According to the City’s HCD-certified Housing Element, we understand that, accounting for units already permitted, the City has a remaining RHNA of 292 units. The City primarily relies on three City-owned sites to meet its remaining lower income RHNA. ADUs and hospitality employee housing are also components of the City’s lower income RHNA strategy.

We understand the City is interested in exploring options to lessen the burden on the City-owned properties. This memo outlines potential options the City may explore further.

	Very Low	Low	Moderate	Above Moderate	Total
<b>Remaining RHNA</b>	<b>106</b>	<b>67</b>	<b>37</b>	<b>82</b>	<b>292</b>
Hospitality Employee Housing	8	12	11	0	31
Projected ADUs	10	10	10	4	34
Site 1: Sunset Center North	20	10	3	0	33
Site 2: Sunset Center South	30	25	5	0	60
Site 3: Vista Lobos	28	11	17	0	56
Site 8: Carmel Foundation	11	10	0	0	21
Site 11: Forest Cottages SP	0	2	0	4	6
Total Capacity	107	80	46	8	241

## ADU Options

### 1. Petition for a Higher Trend

The adopted Housing Element states the following:

*“Using the more conservative number of 30 ADUs permitted between 2018 and 2022, extrapolated to the eight-year planning period for the 6th Cycle Housing Element update, this equates to **48 units**...Based on the City’s permit history and active support for ADUs, as well as the continued interest by property owners in rehabilitating existing ADUs and constructing new ADUs, it is reasonable to estimate a minimum of 34 ADUs over the eight-year planning period, although City*

*staff expects to exceed this number. Following the rule of thumb recommended by HCD, these **34 units** have been distributed to very low-, low-, moderate-, and above moderate-income households as follows: 30 percent, 30 percent, 30 percent, 10 percent, respectively.” (p. C-75)*

Using current data (2023 and 2024), demonstrate that the City can easily exceed the projection of 48 units, let alone reducing that to 34 units as currently used in the Housing Element. This may have to couple with other City actions to facilitate/incentivize ADU construction. If successful, the City could add 14 additional units: 4 very low, 4 low, 4 moderate, and 2 above moderate.

## **2. Opportunities for Amnesty and Conversion of Guesthouses**

In 2020, AB 670 went into effect - a new bill that gives all Californians five years to legalize their unpermitted ADUs and granny flats by bringing the structure up to code. AB 2533 just signed by the Governor extends the ADU amnesty law to unpermitted ADUs and JADUs built before 2020. The City may explore the extent of illegally built ADUs and JADUs and property owners' interest in pursuing the amnesty program. Most cities that have such amnesty programs generally have some knowledge if such units exist in the community and where they are concentrated. An actual survey is not recommended as it may raise concerns from homeowners regarding potential code enforcement citations. Typically, an amnesty program allows homeowners to legalize their illegal ADUs as long as they meet basic building code standards. The city would have to “forgive” certain zoning infractions. The legalized units would be new housing units, eligible for RHNA credits once permitted. However, to use this as a RHNA strategy for sites, the City would have to gauge public interest, estimate the number of potential units, and develop a robust program to program the strategy. The objective is to entice HCD to accept a higher number for ADU projection.

In addition to legalizing illegal units, existing guesthouses may be used as rentals. There can also be opportunities for converting these into legal housing units using the same approach.

## **Housing at Hotel Sites**

### **1. Hospitality Employee Housing**

The adopted Housing Element states the following:

*“To incentivize the development of on-site employee housing within existing sites for overnight visitor accommodations, the City has developed Program 1.3.D, which amends the Municipal Code to allow at least one on-site affordable employee housing unit in conjunction with one new overnight visitor accommodation room... Initially, the program would be voluntary. However, at the mid-cycle mark, if the program has not gained interest, it would become mandatory...As there are 46 hotels in the City, this program has the potential to add at least 31 moderate- and lower-income units to the City’s housing stock.” (p. C-72 and C-73)*

The Housing Element assumes 31 units (8 very low, 12 low, and 11 moderate income). The City may consider modifying the program to indicate each hotel can have at least one unit but not exceed five percent of the number of rooms. Assuming larger hotels would require more employee housing units than smaller hotels, the City could potentially increase the number of employee housing units to 47 units, already a conservative assumption that hotels with fewer than ten rooms would not participate in the program. Using the same income distribution for the additional 16 units, the City may be able to gain 4 very low, 5 low, and 7 moderate income units.

APN	Address	Overnight Visitor Accommodation Establishment Name	No. of Rooms	Up to 5%
010287008000	San Antonio, 4 SE of 13 <sup>th</sup>	Edgemere Cottages	Closed	
010264006000	8 <sup>th</sup> & Camino Real	La Playa Hotel	75	4
010095010000	Junipero between 5 <sup>th</sup> & 6 <sup>th</sup>	Best Western Carmel Bay View Inn	56	3
010213003000	Ocean between Lincoln/Monte Verde	The Pine Inn	49	2
010019061000	Ocean & Monte Verde	Normandy Inn	48	2
010147008000	7 <sup>th</sup> & Lincoln Ave	Cypress Inn	44	2
010131025000	San Carlos at 5 <sup>th</sup>	Carmel Lodge/Stillwell Hotel	42	2
010124012000	4 <sup>th</sup> & San Carlos	Svensgaard's Inn	35	2
010094002000	Ocean & Junipero	Carmel Village Inn/Le Petit Pali	34	2
010142002000	San Carlos @ 7 <sup>th</sup>	Coachman's Inn	30	2
010136023000	5 <sup>th</sup> & San Carlos	Best Western Carmel's Townhouse Lodge	28	1
010123014000	4 <sup>th</sup> & San Carlos	Hotel Carmel	28	1
010214032000	Ocean @ Monte Verde	Lobos Lodge	28	1
010109016000	Mission @ 3 <sup>rd</sup> Ave	Tradewinds Carmel	28	1
010124001000	2 NW of 4 <sup>th</sup> on San Carlos	Hofsas House	26	1
010124014000				
010109015000	SWC 3 <sup>rd</sup> & Junipero	Horizon Inn	26	1
010021024000	Carpenter between 1 <sup>st</sup> & 2 <sup>nd</sup>	Carmel Resort Inn	25	1
010021025000				
010021002000				
010021003000				
010021026000				
010021027000				
010021028000				
010021029000				
010286015000	San Antonio & 13 <sup>th</sup>	Colonial Terrace/Carmel Beach Hotel & Spa	25	1
010087003000	Junipero between 7 <sup>th</sup> & 8 <sup>th</sup>	The Hideaway/Le Petit Pali @ 8 <sup>th</sup>	24	1
010087013000	7 <sup>th</sup> & Mission	Wayside Inn	22	1
010148015000	Dolores & 8 <sup>th</sup>	Adobe Inn	20	1
010136022000	San Carlos between 4 <sup>th</sup> & 5 <sup>th</sup>	Candle Light Inn	20	1
010097007000	Junipero & 5 <sup>th</sup>	Carmel Inn & Suites	20	1
010191005000	Monte Verde @ 7 <sup>th</sup>	L'Auberge Carmel	20	1
010136021000	San Carlos @ 4 <sup>th</sup>	Carmel Fireplace Inn	18	1
010094001000	Torres & Ocean Ave	Comfort Inn Carmel by the Sea	18	1
010195501500	7 <sup>th</sup> & Casanova	Carmel Green Lantern Inn	17	1
010097018000	Mission & 5 <sup>th</sup>	Carmel Oaks	17	1
010123005000	4 <sup>th</sup> @ Mission Street	Carmel Wayfarer Inn	15	1
010087002000	Junipero between 7 <sup>th</sup> & 8 <sup>th</sup>	Carriage House Inn	13	1

APN	Address	Overnight Visitor Accommodation Establishment Name	No. of Rooms	Up to 5%
010136016000	Dolores & 7 <sup>th</sup>	Vagabond House	13	1
010131011000	San Carlos between 4 <sup>th</sup> & 5 <sup>th</sup>	Brianwood Inn	12	1
010124009000	SE Dolores & 3 <sup>rd</sup>	Carmel Country Inn LLC	12	1
010214029000	Monte Verde & 6 <sup>th</sup>	Tally-Ho Inn	12	1
010104002000	4 <sup>th</sup> & Torres	Carmel Garden Inn	10	1
010196027000	Monte Verde & 7 <sup>th</sup>	Monte Verde Inn	10	1
010104005000	SEC 3 <sup>rd</sup> & Junipero	Ocean View Lodge	9	0
010273014000	Camino Real between 11 <sup>th</sup> & 12 <sup>th</sup>	Sea View Inn	8	0
010201013000	Monte Verde @ 7 <sup>th</sup>	Monte Verde Inn East	7	0
010268008000	San Antonio & 8 <sup>th</sup>	Carmel Cottage Inn LLC	6	0
010261014000	SE Camino Real & Ocean	Lampighter Inn	6	0
010194018000	SS 8th between Monte Verde & Casanova	Stonehouse Inn c/o Carmel Realty	6	0
010131013000	E/S San Carlos between 4th & 5th	Brianwood Inn II/Holland Court Inn	5	0
010085005000	SW Ocean/Torres	Forest Lodge	4	0
010261015000	Camino Real 2 SE of Ocean	Sunset House	3	0
010148007000	NE Corner Lincoln & 8th	The Homestead	3	0
SOURCE: City of Carmel-by-the-Sea				47

## 2. Transferable Development Rights

Program 1.3.B which encourages property owners to consider rehabilitating their sites as multi-family rental residences through a transfer of development rights. According to the Housing Element (p. C-74), of the 46 Overnight Visitor Accommodation sites listed in Table C-55, 5 meet the eligibility criteria for transfer of development rights to rehabilitate as multi-family residential. Each of these sites are located in the City's Commercial District and are greater than 0.5 acres in size.

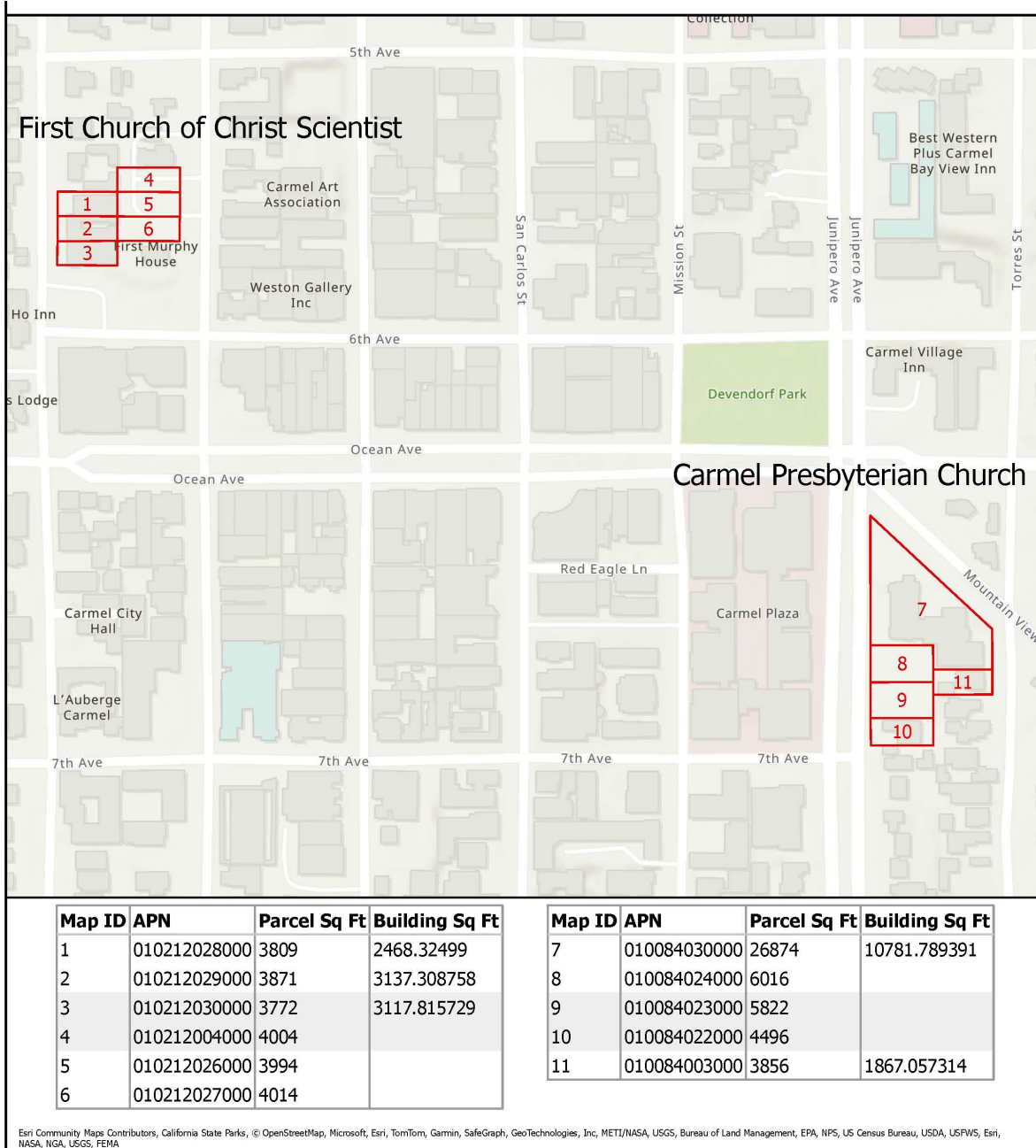
However, because there are no expressed interests in taking advantage of this program, the Housing Element has not assigned any RHNA units for this strategy. To be accepted by HCD for RHNA capacity, specific sites with expressed interest must be identified. Once specific locations are identified, the City could argue that the capacity and income distribution should be based on the proposed plans, regardless of lot sizes.

## Housing on Church Properties

We recommend exploring SB 4 opportunities on the City's religious facility properties. SB 4, the Affordable Housing on Faith Lands Act, provides a streamlined process for religious organizations and nonprofit colleges to develop affordable housing on their property. SB 4 makes it legal for faith-based institutions and non-profit colleges to build affordable, multi-family homes on lands they own by streamlining the permitting process and overriding local zoning restrictions. The bill also guarantees "by-right" approval of new homes, as long as they are consistent with all objective building standards and comply with existing environmental protections.

Objective standards include density consistent with State-established default density. For Carmel (a community with population less than 25,000), this is 20 units per acre. As for

height, the housing development is allowed a height of one story above the maximum height otherwise applicable to the parcel. Utilizing SB 4 is NOT considered rezoning.



### **1. First Church of Christ**

Currently, the adopted Housing Element includes only one church property: Site 5 - First Church of Christ Parking Lot (0.28 acre) for 9 above moderate income units, utilizing SB 10 to streamline the subdivision of this site into 9 single-family lots. However, because these are intended as single-family lots, they are considered feasible as above moderate income housing only.

We understand that First Church of Christ had previously communicated with the City regarding its interest in redeveloping the entire site. The six parcels total 0.54 acre. Assuming the SB 4 allowable density of 20 units per acre, this site can potentially yield 11 units (estimated at 3 very low, 3 low, and 5 moderate income). We understand that the church has expressed interest in doing much more than 11 units. However, this cannot be achieved unless their site is rezoned for higher density development. If this is a desired approach, a program to rezone the property would be needed in order to claim a higher number of units on this site for RHNA.

### **2. Carmel Presbyterian Church**

The Carmel Presbyterian Church has four parcels that can potentially be used for affordable housing. These include the two parking parcels and two single-family homes that are currently used as housing for staff. These four parcels total only 0.46 acre only. HCD may not accept this as adequate for facilitating lower income in the City given the allowable density of only 20 units per acre. However, the City may be able to assign these as moderate income units (estimated at 9 units).

### **3. Carmel Mission**

We understand Carmel Mission has a large campus and has expressed interest in developing transitional/supportive housing. If the City is able to work with the Mission to identify a portion of the property for development, it could reduce the burden on the City-owned properties. Allocation of approximately five acres on this campus can potentially replace all three City-owned sites.

## **Summary of Potential Unit Changes (excluding Downtown)**

Without lot consolidation, it is extremely challenging to use Downtown properties for lower income RHNA units. Based on the strategies discussed above, the City has the potential to move all 25 moderate income units and some lower income units off the City-owned properties (see **Table 3**).

<b>Table 3: Summary of Potential Additional Units</b>					
	Very Low	Low	Moderate	Above Moderate	Total
<b>City-Owned Sites</b>					
Site 1: Sunset Center North	20	10	3	0	33
Site 2: Sunset Center South	30	25	5	0	60
Site 3: Vista Lobos	28	11	17	0	56
Total	78	46	25	0	149
<b>Potential Additional Units</b>					
Projected ADUs	4	4	4	2	14
Hospitality Employee Housing	4	5	7	0	16
First Church	3	3	5	0	11
Carmel Presbyterian	0	0	9	0	0
Carmel Mission	--	--	--	--	--
Total	11	12	25	2	50
Remaining on City-Owned Properties	67	34	0	-2	

## **Downtown Properties**

### **1. Underutilized Properties and Lot Consolidation Potential**

Sites feasible for lower income housing should be at least 0.5 acre. Given the small lot sizes, downtown properties are less feasible for lower income units, unless the City is able to identify properties with potential for lot consolidation or demonstrate with more recent examples of affordable housing projects on small lots. Our search must expand beyond City limits given that there has been only one project in the City more than six/seven years ago.

Nevertheless, even if HCD would not accept downtown sites for lower income units, the City can increase the capacity for moderate income units and thereby lowering the number of units on the City-owned properties.

Typical factors for identifying potential parcels are:

- Property owner interest in redevelopment - this is the most convincing factor to HCD
- Vacant lot
- Lot with vacated uses - for lease or for sale signs, boarded up, vacated
- Existing uses - similar to uses being recycled in the region, such as retail and office uses, banks, and auto-related uses such as repair shops, gas stations, and used car sales
- Improvement to land value ratio (ILVR) less than 1.0 – higher thresholds may be used for retail and office uses if the City is able to demonstrate such uses with higher ILVR have been redeveloped in the region

- Age of structure or effective year at least 30 years - a threshold when major system upgrades are needed
- Floor Area Ratio (building square footage over lot area) less than 50% of allowable
- Height – at least one story less than allowed

To utilize this strategy, in addition to identifying potential parcels, the City will also need to:

- Look for other examples of affordable housing development on small lots in the region and demonstrate that potential sites identified in Carmel are similar in characteristics as these project locations.
- Modify program to provide incentives for lot consolidation. HCD typically accepts these incentives:
  - o Ministerial process for lot consolidation
  - o Increased density or other flexible development standards
  - o Reduced/deferred/waived fees
  - o Assistance with connecting property owners with developers

## **2. Office Conversion**

City policy requires that conversion of second story space must be for residential uses. Identifying potential conversion can provide possibly moderate income housing based on unit size and type. Typically, HCD would accept small multi-family units (especially rental) to be affordable to moderate income households. To utilize this strategy, the following information would be helpful:

- Property owner interest
- Available second story space - for lease signs or vacated
- Examples of recent conversion - the Mill Valley example uses 1,000 square feet per unit but Carmel should be able to use a small unit size to estimate capacity

## **Summary**

Each of these strategies discussed above requires further assessment for actual potential. Only after the City has determined one or more of these strategies could yield an adequate number of units to replace or reduce the burden on the City-owned sites, we could arrange a meeting with HCD to obtain preliminary comments.