

# 2.0 Goals, Policies, and Programs

## 2.1 Introduction

Under state Housing Element Law, the City is responsible for enabling the production of housing by reducing regulatory barriers, providing incentives, and supporting programs that create or preserve housing, especially for vulnerable populations. To enable the construction of quality housing, the City has identified the following goals:

- Goal HE-1 Facilitate Housing Construction
- Goal HE-2 Protect Affordable Housing and Improve the Housing Stock
- Goal HE-3 Provide Opportunities for New Affordable and Other Special Needs Housing
- Goal HE-4 Exemplify Sustainable Development and Energy Conservation
- Goal HE-5 Publicize Housing Needs and Resources

The City's demographic and housing needs assessment, including contributing factors to housing disparities, played a major role in informing program development. Highlights include: the predominant age group in 2019 was between 65 to 74 years of age; the population was composed of over 85 percent White individuals; the unemployment rate was 0.1 percent; above-moderate households made up the majority of households at 62 percent; and 57 percent of total households were owner occupied and 43 percent renter occupied. Of note, 23 percent of households are cost burdened and 23 percent are severely cost burdened. Detailed information is shown in [Appendix A](#).

The majority of the sites identified in the Site Inventory were not identified in the 5<sup>th</sup> Cycle Housing Element. The policies and programs below are intended to reduce the regulatory barriers to redevelopment of these sites and to demonstrate that the City is taking measures to ensure construction of more units in the 6<sup>th</sup> cycle.

The City is proud of the policies and programs that follow below. They represent an honest desire by both the local government and residents of Carmel to create real affordable housing opportunities in what, by all accounts, is an unaffordable place to live. This shared desire is evidenced by how these policies and programs came together. Of course, creation of the 6<sup>th</sup> Cycle Housing Element included all of the requisite community meetings (over 14) and outreach (e.g. tabling at the City's farmer's market), which yielded a wealth of feedback that helped to shape the City's approach. However, this Housing Element also benefited from something uniquely Carmel, which is a highly motivated group of residents willing to learn and be deeply involved in crafting policies that will actually work. Concerned about the housing challenges confronting the village, these residents partnered with City staff in an effort to help the City find creative solutions tailored to Carmel's unique circumstances. Calling themselves the Affordable Housing Alternatives Group,

or “AHA”, the AHA Group provided literally thousands of volunteer hours, met with City staff on a regular (often weekly) basis, leveraged community connections to identify property owner interest, attended meetings with HCD, and genuinely dedicated themselves to finding housing solutions with the best chance of becoming reality. The list of direct positive contributions from the AHA Group is long. One of their most notable contributions was the ‘safari’ effort, which is likely one of the most unique community-driven Housing Element research projects ever undertaken. The safaris were a highly organized, boots-on-the-ground effort in which 17 volunteers canvassed the commercial district of the City to collect data on every property and leasable space in downtown Carmel. These volunteers, utilizing a mobile app set up by a lead AHA member, catalogued 218 properties and nearly 1,000 leasable spaces, collecting unique data for each site, such as current use, vacancy status, and property condition, to help better understand housing development potential. When compiled with City and Assessor records, this data helped form the most complete understanding of Carmel’s downtown inventory in history, and ultimately helped to inform the development of many of the creative policies and programs described below.

It is hard to overstate the value of the collaborative community approach taken to develop the City’s 6th Cycle Housing Element. Aside from supercharging capacity to gather data, the approach also garnered massive community buy-in for creating real housing solutions. Most of all though, it leveraged the knowledge of both residents and City staff, making it possible to turn Carmel’s unique constraints into opportunities for the creation of new housing.

## **2.2 AFFH In the 6th Cycle**

This section provides an overview of how the City of Carmel-by-the-Sea is working towards affirmatively further fair housing in the community and in the broader Monterey Bay Area.

### **Affirmatively Furthering Fair Housing**

The 6<sup>th</sup> Cycle Housing Element Update process includes a new state mandate to address historic patterns of economic and racial segregation. In 2018, the California Legislature passed legislation requiring communities in California to take proactive steps to affirmatively further fair housing (AFFH). The 6th Cycle Housing Element is the first time that the City of Carmel-by-the-Sea has addressed AFFH. Affirmatively furthering fair housing is defined specifically as taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity by replacing segregated living patterns with truly integrated and balanced living patterns; transforming racially and ethnically concentrated areas of poverty into areas of opportunity; and fostering and maintaining compliance with civil rights and fair housing laws.

### **Contributing Factors**

The following contributing factors that impact fair housing and affirmatively furthering fair housing (AFFH) within the City were identified and prioritized as follows:

### *High Priority*

- Lack of affordable housing;
- Lack of adequate housing stock that meets the needs of residents;
- Jobs-worker imbalance;
- Lack of accessible units for individuals with disabilities;
- Lack of Transitional and Supportive Housing/Emergency Shelters;
- Lack of developable land and additional coastal zone regulations;
- Lack of racial and ethnic diversity within the City; and
- Cost of land, materials, and labor, which drive up the cost of housing development.

### *Medium Priority*

- Lack of access to information about fair housing rights; and
- Limited knowledge of fair housing by residents.

The City of Carmel-by-the-Sea is adopting new policies and programs through the update of this 6<sup>th</sup> Cycle Housing Element, to align with the state’s new AFFH mandate. Policies and programs that support this alignment are identified with the letters “AFFH.” More detailed AFFH information can be found in [Appendix A](#).

## **2.3 Program Overview and Quantified Objectives**

Quantified Objectives estimate the number of units likely to be constructed, rehabilitated, or conserved/preserved by income level during the planning period. The Quantified Objectives are *not* required to match the City’s Regional Housing Needs Allocation (RHNA). They are a goal for the jurisdiction to work towards, based on identified needs constraints, and available resources. These objectives will focus communication between the City and HCD vis-a-vis future Annual Progress Reports (APRs). HCD does not require that all objectives must be met; instead, these objectives create a framework for evaluating program effectiveness, so the City can make informed determinations as to whether it should continue, modify, or eliminate programs in the next Housing Element update cycle.

## **2.4 Goals, Policies and Programs**

The purpose of this section is to set forth goals, policies, and programs to further the development of housing for all income levels in the community. The Implementation Programs listed below provide a work plan for programs to ensure timely implementation and tracking. The following programs will be implemented city-wide, unless otherwise specified below.

Community input has always been an integral part of crafting public policy in the City of Carmel-by-the-Sea. The development of the 6th Cycle Housing Element was no exception. The

policies and programs below were informed by feedback received through community outreach events, correspondence with individual residents, over a dozen formal public meetings, and direct input from the AHA resident volunteer group. These programs and policies represent the desire of the residents of Carmel to create high quality affordable housing within the City.

## **Goal H1 Facilitate Housing Construction**

**Policy 1.1: Ensure adequate sites are available to meet the City's projected housing growth needs.**

### *Program 1.1.A: Adequate Sites*

**Quantified Objective:** # TBD  
**Timeframe:** Maintain adequate sites to meet the RHNA through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The City has a Regional Housing Needs Allocation (RHNA) of 349 units, of which 187 units must be affordable to lower income households, 44 units must be affordable to Moderate income households and 118 units must be made available as Above Moderate units.)

The Sites Inventory identifies adequate sites to meet the City's RHNA throughout the planning period. The Planning Division will actively monitor the sites identified on the Sites Inventory to remain in compliance with no-net loss requirements of Government Code Section 65863 and will report to the Planning Commission and the City Council annually on the City's progress in meeting its Housing Element objectives.

### *Program 1.1.B: Development on Small Sites*

**Quantified Objective:** # TBD  
**Timeframe:** Revise Zoning Code to allow mixed-income projects up to a total of 88 du/ac, inclusive of all state and local bonuses, by June 2026.  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

In recognition of the fact that small sites can be difficult to develop, the City will continue to offer incentives and concessions that facilitate development on small sites in the commercial and multifamily districts. Most notable among these incentives is a density bonus for mixed-income projects that include deed-restricted affordable units allowing for development up to a total of 88 du/ac, inclusive of all state and local bonuses.

Another challenge in developing small sites is achieving compliance with parking requirements. Presently, Carmel Municipal Code Section 17.14.060 (Central Commercial (CC) District Regulations

Applicable) waives off-street parking entirely for apartments in the CC district. In the Service Commercial (SC) District the required parking for a market rate unit is 1 space per unit, and in the Residential and Limited Commercial (RC) District and Multi-Family (R4) District it is 1.5 spaces per unit. However, for an affordable housing unit in any of these four Districts, the requirement is already reduced to ½ space per unit and is reduced even further to ⅓ space per unit for senior housing units (senior housing also has a guest parking requirement of 1 space per 4 housing units). The City will further evaluate the residential parking requirements in the Service Commercial (SC) and Residential & Limited Commercial (RC) zoning districts to help facilitate the development of market rate housing. Alternative parking programs such as bike and/or car share, and free or discounted bus passes, will also be evaluated to offset potential reductions in parking requirements.

### *Program 1.1.C: Live/Work Housing*

**Quantified Objective:** # TBD  
**Timeframe:** Monitor and evaluate program effectiveness annually. If, by the end of 2028, the City is not trending to meet its objectives for the planning period, the City will review and revise its program requirements and incentives and enhance outreach efforts.  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

### **Issues and Opportunities**

At first glance, downtown Carmel appears to be thriving, but a closer inspection reveals “a tale of two downtowns.” The prime streetfront commercial spaces are, in fact, healthy, with high foot traffic and low vacancy, but Carmel’s numerous alleys and courtyards contain a great many small, impaired commercial spaces that are not a good fit for traditional retail or commercial uses, as evidenced by the high proportion of these spaces that are either vacant or under-utilized. Walking through these off-street areas, it is common to see empty and for lease storefronts, by-appointment-only signs, storefronts being used for storage, and other evidence of inactivity and a lack of economic viability. Indeed, in cataloguing leasable spaces downtown, the resident volunteers on the Safari teams identified 266 off-street, upper story, or peripherally located storefronts that were either vacant or under-utilized.

### **Program Description**

The City plans to add a new “live/work” classification to the existing categories of approved uses for space in the downtown. These live/work spaces will be hybrid units, with a storefront commercial space in front and residential space in the rear. Property owners will only be allowed to convert a space to a live/work use if they deed restrict that live/work unit at an affordable rental level. As detailed in the analysis in [Appendix C](#), the lack of demand for under-utilized off-street and upper-story commercial spaces results in rents that are sufficiently low that a property owner could

make more money renting that space as a deed-restricted live/work unit than as a strictly commercial space.

The City plans to offer the following incentives to spur participation in the program:

- Free water credits. The City will explore offering property owners free water credits for any commercial spaces that are converted into deed-restricted live/work units through this program.
- Expedited processing. Expedited processing (i.e., jumping to the front of the queue for review by City staff) would be made available to applications for conversion of existing commercial space into one or more live/work units. In the event that a project which includes the creation of a live/work unit requires Planning Commission review, that project will jump to the front of the queue for Planning Commission review.
- Waived or reduced fees. The City will waive or reduce permitting fees associated with the conversion of existing commercial spaces to live/work units.

### **Program Benefits**

The live/work program would have the following benefits:

- By creating an economic incentive for property owners to convert existing commercial space into live/work space, the program is designed to create affordable housing without requiring any public funding (which tends to be either scarce and/or competitive). Indeed, there would be a high likelihood of property owners opting into these conversions, because of the opportunity that the program would afford to achieve a higher rent, and to increase the net operating income, and thereby the value of, their property. Given prevailing cap rates, every incremental dollar of net operating income for a building in downtown Carmel translates into a building that is 25-30 dollars more valuable. Thus, it would make economic sense for the building owner to invest the funds to convert the space from a purely commercial use into a live/work space.
- This program has the potential to return Carmel to its roots by once again making it a haven for local creatives, shopkeepers, and entrepreneurs who could showcase their wares or services in these unique live/work spaces.
- While the live/work units would command a higher rent than the existing purely commercial space, renting such a unit would actually reduce the overall rent burden on a local artist or shopkeeper because they would go from paying two rents (a commercial rent and a residential rent) to paying a single rent, with their total monthly rent payment going down substantially.
- The program has the potential to activate the less well-trodden alleys and courtyards that are a unique staple of the physical fabric of downtown Carmel.

- By combining a tenant's commercial rent and residential rent into one lower rent, and by capping that rent, the program has the potential to bring service businesses back to Carmel that cater to local residents rather than tourists (e.g., a single chair salon, a small tutoring space for local children, a therapist's office, a tailor, or a cobbler)
- To the extent that the program reduces the level of vacancy and under-utilization in these off-street commercial spaces, it will boost the City's sales tax revenue and generate additional resources to support the development of affordable housing.

#### ***Program 1.1.D: Mixed-Income Incentive Program***

**Quantified Objective:** # TBD  
**Timeframe:** Establish program and begin implementation by the end of 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

#### **Issues and Opportunities**

In keeping with the community's expressed desire to distribute new housing throughout the community, the City and the AHA Group explored a variety of potential strategies for incentivizing the creation of new housing units in the downtown area. Since the Live/Work Program and the Hotel-to-Residential Conversion Program ([described in Program 1.1.F below](#)) tend to have relevance for a narrower subset of properties, one of the goals that emerged was to create a program with broader applicability—i.e., that virtually any downtown property owner could opt into. After extensive discussion and analysis, the City and AHA determined that such a program should be guided by four core principles:

1. *It should be inspired by the physical layout of Trevvett Court.* A 14-unit senior housing development built in 2010 on an 8,000 square foot parcel across from the Post Office in downtown Carmel, Trevvett Court demonstrates that higher density housing can be designed in such a way as to seamlessly blend into the built environment of the village. While Trevvett Court itself has a density of 76 du/ac, space programming work by local architects on the AHA team pointed to 88 du/ac as an ideal density that would maximize housing creation while retaining a Trevvett Court-like feel and many of the most important hallmarks of properties in downtown Carmel: e.g., first floor commercial space, a two story floor plan, and an interior courtyard.
2. *It should incentivize the creation of mixed-income housing.* Newly constructed units should be a blend of Above Moderate rate, Moderate income, Low income, and Very Low income units.
3. *It should be designed to make projects economically viable in the absence of public funding.* Given the scarcity and competitiveness of public funding and the importance of ensuring that

housing ultimately gets built, it was determined that the program should be designed to make projects financially viable for a property owner without reliance on public funding.

4. *It should incentivize the creation of housing for families with children.* As noted elsewhere in this document, between 2016 and 2024 the population of Carmel-by-the-Sea dropped from 3,905 to 3,122, with the median age increasing during that same timeframe from 53 to 65. In light of these trends, creating new housing for families with children was determined to be an important priority.

### **Program Description**

The City will explore the development of a Mixed-Income Incentive Program to incentivize the creation of mixed-income housing in the downtown area, either through adaptive re-use or redevelopment. Units created through this program would include a range of income levels, including both market rate units and deed-restricted affordable units. In exchange for deed-restricting a subset of the newly created units at affordable levels, the City will explore offering qualified projects the following incentives:

- Higher density. The City will explore offering qualified projects up to a total of 88 du/ac, inclusive of all state and local bonuses and incentives.
- Free water credits. The City will explore providing owners participating in this program with the water credits required to build both the deed-restricted affordable units as well as the market rate units needed to make the investment economically viable.
- Expedited processing. The City will explore offering expedited processing to applications taking advantage of this program, with those applications jumping to the front of the queue for review by City staff, and, if applicable, by the Planning Commission.
- Waived or reduced fees. The City will explore waiving or reduce permitting fees for projects that participate in this program.

### **Program Benefits**

- The program will help to incentivize the creation of mixed-income housing in downtown Carmel, and is in keeping with the City's desire to distribute housing for various income groups throughout the village.
- The income mix and the incentives in the program will be carefully calibrated to ensure that potential projects will be economically viable without any public funding required. Making these projects profitable for property owners will help to ensure that new housing ultimately gets built.
- This program will give the City the opportunity to incentivize the construction of much-needed larger bedroom count units, which will help to reverse the decline in the number of families with children in the village.

*Program 1.1.E: Affordable Housing on Religious Facility Properties*

<b>Quantified Objective:</b>	<b># TBD</b>
<b>Timeframe:</b>	<b>Host a forum for local churches (December 2024) Prepare an opportunities and constraints analysis for each church (March 2025) Meet with individual churches (June 2025) Annual Outreach to assess progress (December 2031)</b>
<b>Responsible Party:</b>	<b>Community Planning &amp; Building Department</b>
<b>Funding Source:</b>	<b>General Fund</b>

**Issues and Opportunities**

The State of California and the City of Carmel-by-the-Sea have both adopted new rules and regulations in recent years to facilitate the development of housing on properties owned by religious institutions. For example, eligible housing proposals on property owned by religious institutions qualify for:

- Exemptions from environmental (CEQA) review [2023 Senate Bill SB-4]
- Reduction or elimination of parking requirements [2022 Assembly Bill AB-1851]
- Increased density [2023 Assembly Bill AB-1287 & Government Code §§65915-65918]
- “By-right” design approvals without planning commission review [2023 SB-4 & Government Code §§65589.5]
- Priority water allocations [[Housing Element Program 1.2.A.](#)]
- Expedited application processing [[Housing Element Program 3.1.F.](#)]
- Reduction in entitlement and development fees [[Housing Element Program 3.1.D.](#)]
- Direct financial support through Carmel’s affordable housing trust fund [[Housing Element Program 2.1.D.](#)]
- Partnership facilitation for tenant selection and program management [City of Carmel]

Should the above accommodations prove insufficient, Government Code §§65915-65918 allows a church to receive bonuses and concessions for projects that are 100 percent affordable. These include:

- Additional density bonuses to establish more residential units
- Reductions in setback and building height requirements
- Reductions in parking requirements
- Approval of mixed-use zoning compatible with the location
- Other regulatory incentives or concessions proposed by the developer

## Program Description

In 2023, the California legislature passed Senate Bill (SB) 4, the Affordable Housing on Faith and Higher Education Lands Act of 2023. The Act requires a housing development project be allowed by-right when located on land owned by a religious institution. The housing units, exclusive of manager's units, must be 100 percent affordable to lower income households, except that 20 percent may be for Moderate-income households and 5 percent may be for staff of the religious institution that owns the land. Projects submitted pursuant to SB4 are also eligible for a density bonus, incentives, concessions, and waivers or reductions of development and parking standards.

The City will continue conducting outreach to the five religious institutions located within the jurisdictional boundaries of Carmel-by-the-Sea to evaluate potential housing opportunities. The City will educate the local churches about the benefits of SB4 and Density Bonus Law and look for opportunities to connect them with resources and interested affordable housing developers that will support the development of housing on their property.

## Program Benefits

- The program encourages the natural synergy between supportive faith communities and those most in need of this support.
- The program leverages properties that are some of the largest in the village.
- The program provides a vehicle for translating the expressed interest and enthusiasm of the local religious community into concrete action.

### *Program 1.1.F: Hotel- to-Residential Conversion (Hotel 'Key' Transfer) - AFFH*

**Quantified Objective:** # TBD

**Timeframe:** Outreach for developer interest by December 2025; Create/amend Municipal codes to support the program by March 2026.

**Responsible Party:** Community Planning and Building Department

**Funding Source:** General Fund

## Issues and Opportunities

Carmel has a significant number of older, underperforming overnight visitor accommodations (hotels/motels, inns, bed and breakfasts and other various lodging options) distributed throughout the City in the CC, RC, and SC, and R-1 zoning districts. These properties are ideal candidates for conversion to multifamily housing—both because they tend to have physical layouts that lend themselves to such a conversion (indeed, several hotels and motels in Carmel were originally built as apartment buildings), and because their relatively low net operating income means that they can be acquired at a more modest price point.

One unique feature of the hospitality landscape in Carmel-by-the-Sea is that the City has a self-imposed cap in the General Plan on the number of hotel rooms permitted to operate in the city (948 rooms as of January 1, 2025.) Were the City to allow a hotel owner to sell the rights to these hotel rooms in the event of a hotel-to-residential conversion, these “hotel keys” would command a significant market value (approximately \$300,000/room according to commercial real estate brokers and hotel operators).

### **Program Description**

The City plans to create a program providing opportunities for property owners and developers to convert underperforming hotels into mixed-income multifamily rentals with a deed restricted affordable component. Such conversions would be accomplished either through adaptive re-use or redevelopment. To incentivize participation in the program, the City plans to allow the owners of converted hotel properties to sell and transfer the hotel keys from the converted hotel to other parties to facilitate the construction of new hotel rooms on other sites within the village’s commercial zoning districts—either as new hotels or as additions to existing hotels. While such conversions could be partially financed through public funding programs such as Low Income Housing Tax Credits (LIHTC), the City’s intent in allowing the sale of the hotel keys is to maximize housing production under the program by making these conversions economically viable without any reliance on public funding. The ultimate goal is to make conversion to multifamily residential through the program the highest and best use of the property, and one that would allow purchasers with this business plan to outbid other purchasers.

In the absence of any public subsidy, a property owner would be unlikely to convert a hotel into deed-restricted affordable housing because the result would be lower net operating income and a reduction in the value of the property. However, as the analysis in [Appendix C](#) illustrates, by combining the value of the hotel keys with the residual value of the converted hotel, participating property owners and developers will be able to achieve an above market return. Put another way, the program is designed to allow participating owners and developers to “sell the property twice.”

The program is designed to be flexible and to allow for a variety of potential scenarios. For example, the existing owner could convert the hotel to residential and sell the hotel keys. Or the existing owner could convert the hotel to residential and retain the keys for use on another property. Alternatively, and perhaps most likely, the existing owner—who may lack expertise in development—could sell the underperforming hotel to a developer, who could in turn convert the hotel to residential and then either sell the hotel keys or retain them for use on another site within the village.

- Transferable development rights. Hotel owners that convert their hotel into mixed-income multifamily residential through the program will be allowed to sell the hotel keys and

transfer the hotel rights to new projects on other parcels (particularly valuable due to Carmel's General Plan cap of 948 hotel rooms).

- Water rights. In recognition of the fact that the sale of the hotel keys drives the production of affordable housing, the City intends to create opportunities for purchasers of hotel keys to receive the water credits required to construct new hotel rooms on other sites within the village. The City plans to require that the water rights associated with to-be-converted hotels stay with the property—i.e., once the property is converted into mixed-income housing through the program.
- Increased density. The City will explore granting modestly increased density on hotel sites that are converted into mixed-income multifamily housing through the program.
- Hotel residential suites (HRS). The City will explore the possibility of allowing purchasers of hotel keys under this program to designate a subset of the newly constructed hotel rooms as “hotel residential suites”—hybrid units that would be owner-occupied as market rate residential suites for a portion of the year and that would be required to be added to the hotel inventory for the rest of the year. The ability to sell these hotel residential suites would help to expand the universe of potential hotel key purchasers to include existing hotel owners (as opposed to just ownership groups newly acquiring hotels) by providing a near-term opportunity to recoup the capital invested to purchase the hotel keys and construct the new hotel rooms. These hotel residential suites are not included in the Sites Inventory and are not counted towards the City’s RHNA.
- Qualified projects will benefit from streamlined review, expedited permitting, and a reduced development fee schedule.

### **Program Benefits**

- By unlocking the value associated with the hotel keys, the program will offer property owners an above market rate of return, which will encourage widespread participation and significantly increase the likelihood of generating a substantial number of new housing units.
- With its focus on the conversion of small, scattered site hotel properties, the program will integrate affordable housing into the physical and social fabric of the village.
- The program is mixed-income at the property level, and is designed to create housing units for Above Moderate, Moderate, Low, and Very Low income households.
- By creating an investment opportunity with a return on investment that is substantially higher than what the market would typically offer, the City can explore ways to divert resources from these transactions to other affordable housing programs with less financial viability.
- The hotel residential suites created through this program have the potential to help stem the tide of population loss by providing an alternative to the purchase of a single-family

residence as a second home, many of which remain vacant for much of the year, and which would be better utilized as homes for permanent residents. Hotel residential suites would offer prospective second home buyers an alternative that would be dramatically less expensive and that would offer a number of other benefits: e.g., lower maintenance requirements, enhanced security, easy access to restaurants and shops in the downtown area, and shared amenities.

- The same number of overnight visitor accommodation rooms to serve coastal visitor access in the City will be retained while increasing the affordable multifamily rental stock.
- The transfer of hotel keys from underperforming hotels to newly constructed luxury hotel rooms at new or existing hotels will dramatically increase the City’s transient occupancy tax (TOT) revenue.

***Program 1.1.G – Hotel Employee Housing Program***

**Quantified Objective:** # TBD  
**Timeframe:** Amend the Carmel Municipal Code by December 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The City has a number of overnight visitor accommodation properties (motels, hotels, inns) that would benefit from incorporating affordable on-site employee housing. These units would alleviate the current lack of housing many Carmel hospitality employees face. Therefore, the City plans to create a voluntary program to incentivize the generation of on-site employee housing at hotels, motels, and inns around the village.

If the owner of an overnight visitor serving accommodation converts one or more legal guestrooms into a deed restricted affordable employee unit, the City will grant the owner the legal right to replace the hotel room on-site, sell the “hotel key”, or transfer it to another site, similar to Program 1.1.F, the Hotel to Residential Conversion (Hotel ‘Key’ Transfer) Program.

As noted above, Carmel’s General Plan caps the number of hotel rooms permitted to operate in the city (948 rooms as of Jan 1, 2025.) This cap is currently exceeded, meaning no additional rooms can be built in the City. This program leverages the scarcity of hotel rooms created by the General Plan cap to incentivize the development of affordable rental housing and offset the loss of revenues for participating hotel owners—all while maintaining visitor-serving coastal access. Qualifying Program 1.1.G projects may be eligible to benefit from priority access to water credits, expedited review, and a reduced development fee schedule.

### *Program 1.1.H: Accessory Dwelling Units - AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** December 2025 to December 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

#### **Issues and Opportunities**

The City's ADU ordinance was last updated in 2017 (Ord. 2017-10 § 1 (Exh. A), 2017). Carmel-by-the-Sea is currently following the requirements of State law in the review and approval of ADUs and JADUs. The City is in the process of updating its ADU Ordinance to incorporate State Laws that have expanded since 2017, and to clarify the ADU permitting process for property owners.

#### **Program Description**

The City recognizes that ADUs provide affordable housing options for family members, seniors, students, in-home health care providers, couples, small families, and friends. ADUs can also be useful to generate additional rental income for the homeowner. The City maintains a dedicated Housing webpage that includes the California Department of Housing and Community Development Accessory Dwelling Unit Handbook (January 2025) to offer technical assistance to property owners.

To further promote ADU development the City plans to implement the following between 2024 and 2031:

- The City will complete revisions to its local ADU Ordinance and incorporate guidance from the recent Senate Bill 1077. .
- As new relevant State Laws are adopted during the planning cycle, the City will amend the Carmel Municipal Code in a timely manner to reflect applicable changes in the law.
- The City will develop a process for reviewing plans submitted for pre-approval pursuant to AB 1332 (2023).
- The City will develop a procedure for the review and approval of unpermitted ADUs pursuant to AB 2533 (2024) also known as the amnesty program.
- The City will explore implementing a pre-sales inspection program to identify unpermitted ADUs and refer them to the amnesty program.
- The City will explore a voluntary program to promote available ADUs to local workers.
- The City will explore a renter match program, potentially in partnership with The Carmel Foundation.
- To promote affordability and increase workforce housing, the City will explore developing a program to incentivize homeowners to create deed-restricted ADUs. One incentive could be providing the necessary water credits to serve the ADU. Other incentives would also be explored during the development of the program.

- The City will conduct outreach and education including but not limited to the following efforts: holding community workshops, promoting the Property Owners Guide to Building an ADU (prepared by the AHA community group in coordination with the City of Carmel) and updating it as needed, maintaining a dedicated webpage on the City’s website with information on ADUs, conducting outreach and providing education to local architects and realtors, and sending educational information through the mail to property owners.

**Program Benefits**

- Legalize unpermitted ADUs will ensure they meet minimum health and safety regulations.
- Provide affordable housing options for the local workforce.
- Provide additional housing options for local seniors.
- Increase the proportion of ADUs that are occupied through a renter match program.
- Increase the permanent housing stock.

**Policy 1.2: Continue to monitor and work cooperatively with regional agencies to augment infrastructure in a manner that provides adequate capacity for existing and new housing needs while preserving and improving the unique visual character of the City.**

*Program 1.2.A: Water Distribution Prioritization for Affordable Housing – AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Water Allocation Resolution by December 2025  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Perhaps the greatest constraint to housing production in Carmel-by-the-Sea is the lack of water. The City’s Regional Housing Needs Allocation (RHNA) of 349 units for the 2023-2031 planning period is estimated to require approximately 40 acre feet of water. On January 27, 2025, the Monterey Peninsula Water Management District (MPWMD) adopted Ordinance 197 allocating 14 acre feet of water to the City of Carmel-by-the-Sea. The Ordinance took effect on March 1, 2025 and the water is estimated to become available at the end of 2025 or early 2026.

Potable water is a fundamental infrastructure need for housing and is a limited resource in Carmel-by-the-Sea. Water is regulated by the State Water Resources Control Board (SWRCB) and the Monterey Peninsula Water Management District (MPWMD). Few developed sites have available water credits sufficient to accommodate construction of additional residential units, and the City’s own water allocation is quite limited. Although additional water resources are anticipated to become available in late 2025/early 2026, the current State imposed cease-and-desist order in Carmel

remains in effect and California American Water (Cal-Am) is not permitted to install new water meters at this time. In an effort to address water constraints, the City will:

- Support efforts by the MPWMD to expand the water supply with new water sources that will support affordable housing development.
- Work cooperatively with MPWMD to implement water conservation methods through the building permit process (e.g., low-flow fixtures, instant hot water heaters, cisterns/rain gardens) to augment water for new development projects. The City has already received many building permit applications for remodels of older homes which would result in water conservation.
- Update the City's water allocations by land use in accordance with the Water Management Program (Carmel Municipal Code Chapter 17.50) to include the recent allocation from MPWMD of 14 acre feet. In establishing these allocations, the City will prioritize water for affordable housing ).

***Program 1.2.B: Address Infrastructure Constraints***

**Quantified Objective:** # TBD  
**Timeframe:** City's 5-Year Capital Improvement Plan through June 2031  
**Responsible Party:** Public Works Department  
**Funding Source:** General Fund

Ensuring the City's infrastructure is modernized and can accommodate future growth is a critical charge of local governments. The City's infrastructure is continuously aging, with deferred maintenance still remaining from the COVID Pandemic. Crafting capital improvement programs to effectively address this maintenance backlog and manage the City's infrastructure into the future is imperative. The City's Public Works Department continues to improve City infrastructure, including roads and storm drains, through the City's 5-Year Capital Improvement Plan process. The City will continue to work cooperatively with outside agencies, including the Pacific Gas and Electric Company (PG&E), the Carmel Area Wastewater District (CAWD), and California American Water (Cal-AM), to continue to maintain and upgrade the City's infrastructure.

The City of Carmel proposes the following actions and timeline to address infrastructure constraints during the 6<sup>th</sup> Cycle:

- The City of Carmel, whenever possible, will collaborate with and support the undergrounding of electrical wires by PG&E in an effort to provide consistent power. The City is working with PG&E to develop an undergrounding plan, with the work estimated to be complete within 10-15 years for a small portion of the City. With a desire to underground the remainder of overhead electrical wires in the next 20-30 years, the City will continue to work with PG&E to develop a long term plan.

Underground a small portion of the electrical wires by December 2034, and work with PG&E to underground the remainder over the next 20-30 years)

- The City will implement drainage and street improvements, including ADA ramps and sidewalk slope improvements through the 5-year Capital Improvement Plan .Quantified Objective: The City will invest \$2.334 million in drainage improvements and \$4.969 million in street improvements by December 2026)

**Policy 1.3: Reduce or eliminate governmental constraints on the provision of affordable housing. Direct public funding resources to the conservation of existing housing units in neighborhoods where continued residential use is appropriate.**

*Program 1.3.A: Condominium Conversions - AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** Continued ordinance implementation through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The City will continue to implement the condominium conversion ordinance, which restricts the conversion of apartments to condominiums to preserve lower-cost rental housing options (i.e., apartments) within the City. Apartments cannot be converted to condominiums unless a new apartment is being created to offset the conversion.

*Program 1.3.B: Employee Housing*

**Quantified Objective:** # TBD  
**Timeframe:** Adoption of Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

As stated in [Appendix A](#) there are no farmworkers or agricultural employment in Carmel-by-the-Sea. Accordingly, the City has not identified a need for specialized farmworker housing beyond overall programs for housing affordability.

In compliance with the Employee Housing Act (Health and Safety Code § 17000 et seq.) Sections 17021.5 and 17021.6, the City of Carmel-by-the-Sea will amend the Carmel Municipal Code to include a definition for employee housing that permits employee housing for six or fewer employees to be treated as a single-family structure and permitted in the same manner as other dwellings of the same type in the same zone.

***Program 1.3.C: Manufactured Homes on a Foundation System***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The City currently permits manufactured homes on a foundation system on lots zoned for conventional single-family residential dwellings pursuant to State Law Government Code 65852.3. Manufactured homes represent an affordable and cost-effective form of housing. The City will amend the Carmel Municipal Code to include manufactured homes as a permitted use in the R-1 zoning district subject to the same development standards to which a conventional single-family residential dwelling on the same lot would be subject.

***Program 1.3.D: Senate Bill 35 and Senate Bill 423 Processing Procedure***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt a procedure by December 2025  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

According to Senate Bill (SB) 35 (2017), jurisdictions that have insufficient progress toward their lower-income RHNA units must accommodate a streamlined ministerial approval process for proposed developments with at least 50 percent affordability. Early implementation of SB 35 did not apply to coastal cities. However, in October 2023, SB 423 was signed into law, expanding SB 35 measures to include cities located in the coastal zone and extending the operation of the streamlined ministerial approval process to January 1, 2036.

In compliance with SB 35 and SB 423, the City will establish a standard procedure for processing eligible development projects.

***Program 1.3.E: Emergency Shelters***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

In compliance with AB 2339 (2022), the City will amend Title 17 of the Carmel Municipal Code to define emergency shelters and clearly state they are a permitted use by-right, requiring no discretionary review in the CC, SC, and RC commercial districts.

Government Code Section 65583 requires the identification of one or more zoning designations that allow residential uses, including mixed uses, where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit and that are suitable for residential uses.

The Carmel Municipal Code includes emergency shelters within the definition of Community Social Service Facilities and reads as follows: “Any noncommercial housing facility, such as homeless shelters or emergency shelters, which may also provide meals, showers, and/or laundry facilities. Specialized programs and services related to the needs of the residents may also be provided. This classification excludes transitional housing facilities that provide long-term living accommodations.”

Carmel Municipal Code Chapter 17.14, Commercial Zoning Districts, Schedule II-B: Commercial Districts - Use Regulations, includes Community Social Service Facility as a permitted use in the Central Commercial (CC), Service Commercial (SC), and Residential and Limited Commercial (RC) Districts.

Pursuant to Subparagraph (G) of Section 65583, A local government with an existing ordinance or ordinances that comply with this paragraph shall not be required to take additional action to identify zoning designations for emergency shelters. The housing element must only describe how existing ordinances, policies, and standards are consistent with the requirements of this paragraph.

The City does not currently have objective standards that govern the operation and management of emergency shelters such as the maximum number of beds or persons to be permitted to be served nightly by the facility, sufficient parking to accommodate all staff working at the shelter, size and location of intake areas, provision of onsite management, proximity to other emergency shelters, length of stay, lighting, and security during the hours the shelter is in operation.

The City will amend the Carmel Municipal Code to create objective operational standards for emergency shelters.

***Program 1.3.F: Forest and Beach Commission Required Findings***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Carmel Municipal Code Section 17.48.070, Findings Required for Significant Trees prohibits the removal of significant trees to facilitate construction or development unless one of the two following findings is met:

1. That removal of the tree is required to protect public health or safety; or
2. That the following four conditions exist:
  - a. The existing site is vacant or is developed to an extent less than one-third of the base floor area allowed by the zoning applicable to the site; and
  - b. The available land area of the site not occupied by significant trees (including land within six feet of the trunk of significant trees) does not adequately and practically

- provide space for development of at least one-third of the base floor area allowed by the zoning for the site; and
- c. The issuance of a variance for development in one or more setbacks has been considered and would not provide a remedy or would be inappropriate due to a significant overriding inconsistency with another policy or ordinance of the LCP; and
  - d. Failure to authorize removal of the tree(s) would deprive the owner of all reasonable economic use of the property.

The findings in 2.a and 2.b have been identified as a potential constraint to the development of multifamily housing. The City will review the findings to ensure they do not impede multifamily development in the commercial and multifamily districts.

#### **Policy 1.4: Improve Development Review and Approval Processes**

##### ***Program 1.4.A: Modify or Eliminate Onerous Use Permits - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Development Department  
**Funding Source:** General Fund

Multifamily and duplex housing units constitute approximately 13 percent of Carmel’s housing stock. The use permit (UP) (AKA conditional use permit (CUP)) requirement is implemented as an additional regulatory tool and adds extra regulations, review, and required findings, to a variety of development standards that affect multifamily development. Carmel Municipal Code Chapter 17.64 Findings Required for Permits and Approvals includes a broad list of applicable conditional uses and incentives. There are opportunities to reduce redundancies and facilitate residential construction while still enabling development to meet City regulations.

To address this potential constraint to the development of multifamily residential units, the City will explore replacing subjective language in the required findings for Use Permits with objective findings, or eliminating these Use Permits altogether.

##### ***Program 1.4.B: Objective Design and Development Standards - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Objective Design Guidelines by July 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Carmel Municipal Code Chapter 17.58, Design Review describes a discretionary review process for the construction of new buildings and additions to existing buildings in the commercial districts.

There are three findings for approval: 1) Conformance to the applicable policies of the General Plan and the Local Coastal Program; 2) Compliance with all applicable provisions of this code; and 3) Consistency with the applicable adopted design review guidelines.

In November 2023, the City received an \$85,000 REAP 2.0 Local Suballocation Grant, which will be used to pursue the creation and adoption of Objective Design and Development Standards (ODDS) to reduce governmental constraints presently limiting the production of multifamily housing. The City's expectation, and desired intent, is that having ODDS in place will incentivize and accelerate the construction of qualifying affordable multi-family housing projects in the City's downtown area, including the Central Commercial (CC), Service Commercial (SC), Residential & Limited Commercial (RC), and Multi-family Residential (R-4) Districts.

***Program 1.4.C: By-Right Approval - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Amend the Municipal Code to comply with State by-right requirements by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Pursuant to Government Code Section 65583.2(h)(i) (AB 1397 passed in 2017), the City will amend the Carmel Municipal Code to require by-right approval without discretionary review for a housing development that includes 20 percent of the units as affordable to lower income households, applicable to the following types of sites:

- Vacant sites being used to meet the RHNA adequate sites requirements that represent a “reuse” of sites identified in two or more previous and consecutive Housing Element cycles.
- Nonvacant sites being used to meet the RHNA adequate sites requirements that represent a “reuse” of sites identified in the previous cycle of Housing Element.
- Sites being redesignated/rezoned after the statutory deadline of the Housing Element to accommodate the RHNA shortfall. By-right approval of these sites would be triggered by the rezoning.

For the 6<sup>th</sup> cycle Housing Element, the City does not anticipate the need to rezone sites or utilize any sites that may be considered reuse sites to meet its RHNA. However, the City will amend the Zoning Code to comply with State law should any circumstances arise in the future for the necessity to grant by-right approval to qualified projects.

By-right means a jurisdiction shall not require:

- A Conditional Use Permit;
- A Planned Unit Development Permit;

- Design review, other than Objective Development Design Standards; or
- Other discretionary, local government review or approval that would constitute a “project” as defined in Section 2100 of the Public Resources Code (California Environmental Quality Act “CEQA”)

## **GOAL H2 PROTECT AFFORDABLE HOUSING AND IMPROVE THE HOUSING STOCK**

### **Policy 2.1: Maintain and encourage expansion of permanent residential housing stock in the Residential and Commercial Districts.**

#### *Program 2.1.A: Incentives for Mixed-Use Development - AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Providing additional development capacity of any type increases project feasibility. In order to better incentivize affordable residential development, the City plans to amend the Municipal Code to increase the floor area bonuses from 15 to up to 25 percent, inclusive of all state and local bonuses, for projects in the CC, SC, RC and R-4 Zoning Districts that include housing for Moderate, Low or Very-Low-income households. The City will also distribute informational materials promoting the floor area bonus and other applicable incentives.

#### *Program 2.1.B: Permanent Housing - AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** Continued ordinance implementation through June 2031  
**Responsible Party:** Community Planning & Building Department/City Administrator  
**Funding Source:** General Fund

Short-term rentals can provide valuable coastal visitor-serving access; however, units used as short-term rentals preclude the establishment of permanent housing. The City also has a significant percentage of the housing stock that remains vacant for part of the year due to second home ownership. This creates a significant barrier for current and potential residents to enter the local housing market and further limits opportunities to correct the housing crisis, address diversity, and provide inclusive housing options.

The City’s ordinance prohibiting short-term, transient rentals, fractional ownership, and timeshares of residential dwellings in the R-1 District and allowing a limited number of short-term rentals in the commercial areas has successfully limited the proliferation of these uses. The City will continue to implement these ordinances. In an effort to address the high rate of second home ownership, the

City will promote Accessory Dwelling Units and Junior Accessory Dwelling Units (see Program 1.1.G) to add affordable rental units on properties that may otherwise lie vacant, and will establish an Affordable Housing Trust Fund (see Program 2.1.D).

***Program 2.1.C: Monitor Affordable Housing Stock - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Develop a program by June 2025  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The City will develop a City-managed Affordable Housing Oversight Program and continue to monitor affordable housing projects and work with the owners to preserve affordability through identification of funding sources and/or opportunities for partnerships with other housing providers. The program will formalize annual monitoring of the affordable housing stock throughout the city to ensure affordable housing is being protected and provided as required by Government Code Section 65590. This may also include partnering with a qualified entity, like the local Carmel Foundation, that already actively manages, monitors, and provides reporting for affordable housing units in the City. The City will update its databases to better track data on new construction, demolition, conversion, and replacement of housing units for Low- and Moderate-income households including the following:

- The number of new housing units approved for construction;
- The number of Low- and Moderate-income housing units required to be provided in new housing developments;
- The number of existing residential dwelling units occupied by Low- and Moderate-income households that have been authorized to be demolished or converted; and
- The number of low- and Moderate-income housing units required to be replaced (of those units being demolished or converted).

Additionally, in compliance with AB 1397, the City will adopt a policy to require replacement housing units subject to the requirements of Government Code section 65915, subdivision (c)(3) when any new housing development project occurs on a site meeting the any of the following conditions: 1) currently has residential uses or within the past five years has had residential uses that have been vacated or demolished, 2) was subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of Low or Very Low-income, 3) subject to any other form of rent or price control through a public entity's valid exercise of its police power, or is occupied by Low or Very Low-income households.

*Program 2.1.D: Establish Affordable Housing Trust Fund - AFFH*

**Quantified Objective:** # TBD  
**Timeframe:** Establish a Fund by December 2025  
**Responsible Party:** City Administrator  
**Funding Source:** General Fund

The City currently relies on outside agencies and organizations to fund affordable housing projects. However, in an effort to establish a City-funded source dedicated to supporting the creation, maintenance, and rehabilitation of affordable units, the City will explore the creation of an Affordable Housing Trust Fund. The Trust would be funded by the City, either through a dedicated revenue source or via the General Fund. .

**Policy 2.2: Preserve and protect the scale of established neighborhoods while encouraging property improvement.**

*Program 2.2.A: Historic Preservation Educational Programs*

**Quantified Objective:** # TBD  
**Timeframe:** Continued education and ordinance implementation through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Cities have unique characteristics that develop over time. Carmel-by-the-Sea has a distinctive building style and form that existing residents cherish and which serves to attract new residents and visitors. In an effort to continue to encourage improvements to the existing housing stock, the City will continue to promote education programs that improve public understanding of the City's rich cultural and design heritage, and provide zoning flexibility and incentives to facilitate rehabilitation of historic resources. The City will continue to use the Historic Building Code to facilitate residential rehabilitation of historic residences.

**Policy 2.3: Preserve and expand affordable and rental housing opportunities to enable local employees to live in the community where they work.**

*Program 2.3.A: Preserve and Increase Upper Floor Residential Uses - AFFH*

Quantified Objective: # TBD  
Timeframe: Proactive outreach through December 2031  
Responsible Party: Community Planning and Building Department  
Funding Source: General Fund

The retail and office landscape is shifting and the City continues to experience retail and office vacancies. This shift represents an opportunity to increase supply of housing as a preferred development form in all Commercial Districts. The City currently prohibits the conversion of existing second-floor residential units to commercial use and requires all newly constructed second-floor space to be used as residential units. Housing over first-floor commercial uses is a particularly suitable solution for underutilized second-floor space. Therefore, the City will proactively work with property owners to encourage conversion of vacant or underutilized upper floors to residential use.

**Policy 2.4: Preserve the existing housing stock**

*Program 2.4.A: Housing Rehabilitation and Maintenance Information - AFFH*

Quantified Objective: # TBD  
Timeframe: Proactive outreach through June 2031  
Responsible Party: Community Planning and Building Department  
Funding Source: General Fund

In order to stay habitable and energy efficient, all buildings need maintenance. When buildings fall into an extreme state of disrepair, a more comprehensive housing rehabilitation procedure is needed. Over the past few years, inflation and building supply chain issues have dramatically increased the cost of building materials. Labor costs have also risen significantly due to a shortage of skilled construction workers and ongoing cost-of-living increases. This results in very costly rehabilitation projects.

In order to assist low-income property owners, the City will distribute information on inspection services, housing rehabilitation programs, and alternative ways to finance home repairs. Based on Code Compliance reports, the City will specifically monitor and conduct outreach to residential units in need of rehabilitation and maintenance throughout the city with a focus on the southern region of the city.

## **GOAL H3 PROVIDE OPPORTUNITIES FOR NEW AFFORDABLE AND OTHER SPECIAL NEEDS HOUSING**

**Policy 3.1:** Incentivize affordable housing development, with an emphasis on affordable housing built to accommodate Extremely-Low and Low-Income residents. Encourage the private sector to produce affordable housing.

### *Program 3.1.A: Mixed-Use Affordable Housing - AFFH*

**Quantified Objective:** # TBD

**Timeframe:** Proactive outreach through June 2031; Revise guidelines and approval processes by December 2027

**Responsible Party:** Community Planning and Building Department

**Funding Source:** General Fund

The retail and office landscapes are shifting and this change represents an opportunity to encourage mixed-use developments (housing over first-floor commercial uses) as a preferred development form via community outreach. The City will proactively work with property owners, property managers, and realtors to promote and incentivize upper-floor housing opportunities, including the potential of allowing a third-floor mezzanine for affordable housing. Such development would be subject to the City's 30-foot height limit.

The City has identified the following regional affordable housing organizations to include in the discussion of revising design guidelines to promote mixed-use affordable housing in the City.

- County of Monterey Housing Authority Development Corporation (HDC);
- Woodman Development Company, Inc.;
- Community Housing Improvement Systems and Planning Association, Inc. (CHISPA);
- Eden Housing;
- EAH Housing; and
- Mid-Peninsula Housing.

Based on the feedback received by City Staff from the development community, the City will implement the following actions:

- Revise design guidelines based on community and developer feedback;
- Revise approval processes if constraints are identified during feedback gathering; and
- Annually host outreach and FAQ forums for developers and community members.

***Program 3.1.B: Housing for Extremely-Low Income Households - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Fund an Associate Planner through June 2031  
**Responsible Party:** Planning and Building Department  
**Funding Source:** General Fund

Providing housing units for Extremely-Low Income (ELI) Households earning 30 percent or less of the Area Median Income (AMI) for Monterey County has proved challenging for the City. The City will continue to place specific emphasis on the provision of multi-family housing and non-traditional housing types such as single-room-occupancy units and transitional housing. The City will encourage development of housing for ELI households through a variety of activities such as targeted outreach to for-profit and non-profit housing developers on at least an annual basis, providing in-kind technical assistance, fee deferrals, expedited/priority processing, identifying grant and funding opportunities, applying for or supporting applications for funding on an ongoing basis, reviewing and prioritizing local funding for developments that include housing for ELI households, and/or offering additional incentives to supplement the density bonus provisions in State Law.

The City also has a variety of programs to encourage development of ELI units, including Accessory Dwelling Units, a portion of which are designed to provide affordable housing for Extremely-Low Income Households and employee housing. The City has also funded a full-time permanent Associate Planner position through the General Fund to focus on long-range planning and housing needs.

***Program 3.1.C: Density Bonus - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Density bonuses can provide a significant incentive to build affordable housing units. By increasing the number of units permitted to be built on a property, the financial investment required to bring the development to fruition has a higher likelihood of a return. Given the high cost of materials, labor, and borrowing costs, increasing the number of units can make the housing project financially feasible.

The City's Density Bonus provisions will be updated to reflect recent changes to State law. Pursuant to Government Code Section 65915-65918, the City will amend the City's Density Bonus provisions to be consistent with recent changes to State Density Bonus Law. Additionally, the City will further review and revise local bonus density ordinances to clarify the regulations and increase certainty of applicability.

***Program 3.1.D: Reduced Entitlement and Development Fees - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt a Fee Schedule by July 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Entitlement and development fees paid by project applicants assist in the City’s ability to recover administrative and operating costs; however, these fees may have the unintended consequence of increasing the cost of housing. To encourage the development of affordable housing, the City will reduce the planning and building permit fees for affordable housing units in commercial areas.

***Program 3.1.E: Reduced Parking Requirements - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Carmel Municipal Code Chapter 17.38, Off-Street Parking Requirements, Table A: Minimum Parking Requirements provides parking factors for land uses by zoning district. In the Central Commercial (CC), Service Commercial (SC), Residential and Limited Commercial (RC) and Multi-Family Residential (R-4) districts, the parking requirement for affordable housing is ½ space per unit. For senior housing, it is ⅓ space per unit plus 1 guest space for every 4 units. Other permanent residential uses are required to provide 1 parking space per unit in the SC District, and 1.5 spaces in the RC and R4 Districts. No parking is required in the CC District.

The City recognizes that parking requirements increase the cost of residential development and take up valuable space that can be used for housing, and has maintained a low parking ratio for residential uses. The City will continue to offer reduced parking requirements for affordable housing developments. Additionally, the City will clarify that affordable units are exempt from parking in-lieu fees.

***Program 3.1.F: Expedited Processing Procedures - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Hire a consultant by December 2025; Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Faster permit processing times reduce overall project timelines and allow a project to get to the construction stage in a timely manner. To enable a more efficient permit processing system, the City is committed to contracting with a qualified consultant to review the Planning Division’s current permitting procedures to identify inefficiencies and make recommendations on process

improvements to streamline the permitting process. Based on the consultant’s recommendations, the City will update existing permitting procedures, including, but not limited to, the following:

- Implement concurrent permit processing for projects that incorporate several land uses or features that would typically require two or more permit applications, to be concurrently reviewed and approved or disapproved by the highest-level review authority or joint meetings. This will expedite the review process for complex development projects.
- Allow an option for affordable multi-family projects to utilize 3-D modeling or other comparable methods, in lieu of story poles, that provide objective information for the City to assess impacts of development on important coastal scenic view resources;
- Prioritize projects with affordable units, assign a dedicated planner to facilitate the development process, and schedule joint public hearings when multiple decision-making bodies are involved.

***Program 3.1.G: Establish Minimum Densities - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Establishing a minimum density can be utilized as a tool to ensure the limited available land in a City is used in an efficient manner and lower densities are avoided. The City’s intention for establishing a minimum density in the Commercial and Multi-Family Residential Districts is rooted in enabling the development of more dense housing in the City. Currently, the Commercial District (CC, SC, and RC) permits residential densities of 0-22 dwelling units per acre and the Multi-Family Residential District (R-4) permits a maximum of 33 dwelling units per acre. Effectively, establishing a minimum density in these districts will result in higher yields of residential units. Recent residential developments in the City’s Commercial District have ranged in density from 22-33 dwelling units per acre. The City will revise the Municipal Code for commercial districts (CC, SC and RC) and the multi-family residential (R-4) district to establish a minimum density of 22 dwelling units per acre, as part of the base zoning and a maximum allowable density of 40 units per acre, with a total capacity of 88 units per acre, inclusive of all local and State density bonuses. Additionally, the City will prohibit new single-family development in the R-4, CC, SC, and RCDistricts. Existing single-family dwellings in these districts will be considered legal nonconforming uses. Recognizing that there is a need for housing to accommodate families, and to try and increase the mix of housing types, the City will explore options for incentivizing the development of two- and three-bedroom units..

The City is committed to modifying development standards in the commercial and multi-family districts to ensure the standards support the minimum density and do not function as a constraint to meeting the minimum density, as necessary.

**Policy 3.2: Recognize the special needs of persons with disabilities and the need to retain flexibility in the design review process to accommodate these needs.**

***Program 3.2.A: Reasonable Accommodation Procedures - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt a revised policy and Municipal Code amendment by June 2025  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

A reasonable accommodation is any change, exception, or adjustment to a rule, policy, practice or service that allows a person with a disability to have an equal opportunity to participate. Information on reasonable accommodation procedures will continue to be provided at City Hall and on the City's website. The City will evaluate and revise Policy C11-01, which describes procedures to provide reasonable accommodation, and will explore reduced or waived permit fees for persons with disabilities in compliance with the provisions of SB 520, in an effort to remove any additional barriers and encourage those with disabilities to apply. To eliminate subjectivity from the required findings for requests for reasonable accommodation, the City will amend the Municipal Code to remove the findings requirement for requested accommodations stating, "the requested accommodation will not result in a significant and unavoidable negative impact on adjacent uses or structures." and develop a finding to allow for the reasonable accommodations that adequately addresses the need with the least intrusive impacts.

Further, the City will explore amending the definition of aggrieved parties and the appeal process in the Municipal Code, to ensure that appeals of reasonable accommodation permits do not create an undue additional barrier.

***Program 3.2.B: Housing Mobility - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** December 2027  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Plan

The City of Carmel-by-the-Sea is committed to promoting a diverse array of housing options for all income groups throughout the community. To improve housing mobility and promote more housing choices and affordability, the City will employ a suite of strategies to create and/or enhance opportunities in various neighborhoods, including in lower density neighborhoods and in downtown Carmel. This initiative represents an effort to increase housing mobility, and extends beyond programs to meet the City's RHNA. Actions and strategies are detailed in individual programs above and include:

- Homesharing: Research and pursue a homesharing program, including coordination with non-profits and other organizations to assist with matching tenants with existing homeowners. Typically, homesharing is a service provided by nonprofit organizations to assist in matching a homeowner with a tenant. This homesharing process can also include helping homeowners rent out their ADUs. The process of identifying and screening potential tenants, developing lease agreements, and understanding the rights and responsibilities of being a landlord can be onerous. The City may facilitate presentations at The Carmel Foundation Senior Center, and other outreach assistance. The City will market and take other actions as necessary at least annually with the goal of five opportunities per year.
- [Program 1.1.C: Live/Work Housing](#)
- [Program 1.1.D: Mixed-Income Incentive Program](#)
- [Program 1.1.E: Affordable Housing on Religious Facility Properties](#)
- [Program 1.1.F: Hotels to Residential Development](#)
- [Program 1.1.G: Hotel Employee Housing](#)
- [Program 1.1.H: Accessory dwelling units \(ADUs\)](#)
- Marketing of housing resources and opportunities: Provide housing resources and information available through various City and regional in-person and virtual outlets. The City will provide this information in multiple languages based on the languages spoken by Carmel-by-the-Sea residents, as indicated in the U.S. Census Bureau's American Community Survey.

***Program 3.2.C: Family Friendly Housing – AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Develop Regulatory Incentive (Mid-Term); Implement Family Friendly Design Guidelines (Ongoing)  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Promote multifamily housing designs to attract households with children and larger multi-generational households by encouraging developers to include unit mixes with higher bedroom counts (including four-bedroom units) as well as other family friendly features and on-site amenities, such as usable outdoor open space for multigenerational use, and multipurpose rooms that can be used for after-school homework clubs, computer, art, or other resident activities. To boost the number of families with children residing in the village and to address potential displacement of households with four or more persons, the City will research options to expand regulatory incentives to encourage the development of larger units.

**Policy 3.3: Facilitate the provision of transitional and supportive housing in appropriate districts in the community.**

***Program 3.3.A: Zoning for Transitional and Supportive Housing - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Senate Bill (SB) 2 (2007) revised Housing Element law requiring that transitional and supportive housing be permitted as a residential use, subject only to restrictions that apply to other residential dwellings of the same type in the same zone. In compliance with SB 2, the City will continue to allow transitional/supportive housing as a residential use. The City's Municipal Code permits transitional and supportive housing by-right in all districts that permit residential uses, including the CC, SC, RC and R-4 Districts, regardless of the number of persons in the facility.

***Program 3.3.B: Low-Barrier Navigation Centers - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt Municipal Code amendments by June 2026  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Assembly Bill (AB) 101 (2019) provides a pathway to permanent housing for people experiencing homelessness. A "Low Barrier Navigation Center" is a housing first, low-barrier, service-enriched shelter focused on moving people into permanent housing. The shelter provides temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing. In order to comply with State Law, the City will amend the Municipal Code to include the definition for "Low Barrier Navigation Center" and will develop By Right procedures for processing low barrier navigation centers.

***Program 3.3.C: Unlicensed Residential Care Facilities***

**Quantified Objective:** # TBD  
**Timeframe:** Amend the Carmel Municipal Code by June 2026  
**Responsible Agency:** Community Planning and Building Department  
**Funding Source:** General Fund

State law requires local governments to treat licensed residential care facilities (e.g. group homes) with six or fewer residents as a residential use and subject to the same development standards as a single-family dwelling. Furthermore, no conditional use permit, variance, or other zoning clearance shall be required of a residential care facility that serves six or fewer persons that is not also required of a single-family dwelling of the same type in the same zone. The residents and operators of a residential care facility shall be considered a family for the purposes of any law or zoning ordinance

that relates to the residential use of a property. However, “six or fewer persons” does not include the operator, the operator’s family, or persons employed as staff. These facilities are licensed and regulated by the State of California.

The City defines Residential Care Facilities as facilities that require or are licensed by the State of California to provide living accommodations and 24-hour, primarily nonmedical care and supervision for persons in need of personal services, supervision, protection, or assistance. Living accommodations are shared living quarters with or without separate kitchens or bathrooms for each room or unit. This classification includes facilities that are operated for profit as well as those operated by public or nonprofit institutions.

**Residential Care, General.** A residential care facility providing 24-hour nonmedical care for more than six persons in need of personal services, supervision, protection, or assistance. This classification includes hospices, board and care homes, and similar establishments that are licensed by the State of California. These types of facilities are conditionally permitted in the SC and RC Districts.

**Residential Care, Limited.** A residential care facility providing 24-hour nonmedical care for six or fewer persons in need of personal services, supervision, protection, or assistance essential for sustaining the activities of daily living. This classification includes only those facilities licensed for residential care by the State of California. These types of facilities are subject to the same regulations as apply to other family residential dwellings in the CC, SC, and RC Districts. In the R-1 District, they are permitted in single-family homes. In the R-4 District, they are permitted by-right with no restrictions.

**Residential Care, Senior.** A residential care facility providing 24-hour medical or nonmedical care for more than six persons 60 years of age or older in need of personal services, supervision, protection, or assistance for sustaining the activities of daily living. This classification includes nursing homes for the elderly, life care or continuing care homes, and similar facilities licensed for residential care by the State of California. These types of facilities are conditionally permitted in the SC, RC, and R-4 Districts.

Recognizing that larger facilities provide necessary supportive environments for a variety of households, the City will amend the Zoning Ordinance to conditionally permit unlicensed facilities of seven or more persons in all zones that allow similar residential uses.

***Program 3.3.D: Single Room Occupancy (SRO) Units***

**Quantified Objective:** # TBD  
**Timeframe:** Adopt an Ordinance by June 2026  
**Responsible Party:** Community Planning & Building Department  
**Funding Source:** General Fund

Government Code Section 65583 and 65583.2 require that a city plan for a variety of housing types, including single-room occupancy units or SROs. An SRO consists of a single room dwelling unit that is the primary residence of its occupant(s). One example of an SRO could be the proposed Live/Work units in [Program 1.1.C](#). To support the creation of SROs, the City will take the following actions:

- Adopt a definition of “single room occupancy unit” in the Carmel Municipal Code.
- Amend the Carmel Municipal Code to identify the districts where SROs would be permitted as a residential use subject only to those regulations that apply to other residential dwellings of the same type in the same zone. The City may adopt specific, objective standards applicable to SROs such as maximum number of occupants, minimum or maximum unit size, and requirements relating to food preparation facilities, sanitation facilities, etc.

**GOAL H4 EXEMPLIFY SUSTAINABLE DEVELOPMENT AND ENERGY CONSERVATION**

**Policy 4.1:** Support energy and water conservation programs to reduce the consumption of these resources in housing and to reduce housing costs.

***Program 4.1.A: Water Conservation - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Implement the water management program through December 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Even with a recent allocation of water from the Monterey Peninsula Water Management District, potable water remains scarce and highly regulated in the City and continues to be a major limiting constraint to new development. In order to preserve the City’s limited water allocation for new residential units, the City will continue to implement the Water Management Program (Carmel Municipal Code Chapter 17.50) through the building permit process,, and provide information to the community on water conservation retrofits and best practices. In addition, the City will provide

information on and promote water conservation education through outreach and community engagement, and retrofit rebates provided by the Monterey Peninsula Water Management District.

***Program 4.1.B: Energy Conservation and Green Building***

**Quantified Objective:** # TBD  
**Timeframe:** Continued education and compliance through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Conserving energy to reduce stress on the electrical grid and reduce the effects of climate change (i.e. wildfire and flooding) is increasingly critical. The City experienced significant power outages during the 2022-23 winter storms, adjacent areas were flooded, and the past few wildfire seasons have significantly impacted air quality and resulted in evacuations of neighboring communities. The City will continue to review applications for new construction and substantial alterations, taking into consideration solar orientation and access to sunlight. The City will also continue to require compliance with current state building standards for energy efficiency in all new homes. The City will further disseminate information by updating the website annually with related energy conservation and green building information. The City also participates in the Community Wildfire Protection Program and is committed to implementing Program recommendations.

**GOAL H5 PUBLICIZE HOUSING NEEDS AND RESOURCES**

**Policy 5.1: Support and enforce fair housing laws. Expand fair housing choice by promoting housing opportunities and removing impediments to fair housing.**

***Program 5.1.A: Fair Housing Services - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Proactive outreach through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

The Fair Housing Act protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities. The California Department of Fair Employment and Housing and the Conflict Resolution and Mediation Center of Monterey County provide fair housing services and information. These agencies advise persons in need of information on housing and employment, mediate landlord/tenant disputes and research complaints about discriminatory housing practices. The City will coordinate with these agencies to provide printed information about fair housing services at City Hall, on the City’s website, and in other public buildings such as the City’s two libraries. The City will also refer inquiries related to fair housing to these agencies and provide fair housing resources at outreach events.

***Program 5.1.B: Housing Choice Voucher Program - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Proactive outreach through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Created by the Housing and Community Development Act of 1978, the Housing Choice Voucher program, formerly known as Section 8, provides assistance to eligible Low- and Moderate-Income families to rent housing in the private market. Eligibility for this program is based on the family's gross annual income and family size. The Housing Choice Voucher rental assistance program is administered by the Housing Authority of the County of Monterey. The City will continue to facilitate use of the Housing Choice Voucher program in the community by distributing information for the program at City Hall and the Library and making referrals to the Housing Authority.

***Program 5.1.C: Shared Housing Information - AFFH***

**Quantified Objective:** # TBDs  
**Timeframe:** Proactive outreach through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Shared housing is another important tool to provide affordable housing options. Shared housing is generally more affordable because a portion of a residence is rented as opposed to an entire unit. Shared housing can also financially help low-income individuals who own their homes and alleviate loneliness. Benefits to low-income individuals include provision of safe and secure affordable housing in a high-cost market. The City will continue to distribute informational materials from the Housing Authority of the County of Monterey and The Carmel Foundation, display information at City Hall, other public buildings, and on the City's website. The City will also seek out other shared housing providers and resources to expand this housing option.

***Program 5.1.D: Farmworker Housing – AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Ongoing  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

Although the City does not have agricultural uses, and therefore, no housing designated specifically for farmworkers —the City supports the County of Monterey's efforts to educate the public on resources that are available for agricultural workers. The City has identified the following resources that are available throughout the region for agricultural employees:

- *Spanish Farmworkers Resource Line* – provides information on a variety of issues such as legal help and medication services, stress management, resources for farmworkers with disabilities, etc.

- *The Center for Community Advocacy* – an organization whose mission is to support and
- build leadership within the community and in particular for farmworkers and their families. The Center has worked side by side with farmworkers to help improve their living conditions, advocate to have more affordable housing and access to health services and resources.
- *Farm and Food Worker Relief Program* – Catholic Charities Diocese Monterey is providing direct financial relief to eligible farmworkers in the counties of Monterey, Santa Cruz, San Benito, and San Luis Obispo. The purpose of this program is to provide direct financial relief to eligible field workers, meatpacking workers, livestock workers, and grocery store workers.

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

***Program 5.2.A: Support Community Organizations - AFFH***

**Quantified Objective:** # TBD  
**Timeframe:** Proactive outreach and partnerships through June 2031  
**Responsible Party:** Community Planning and Building Department  
**Funding Source:** General Fund

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.