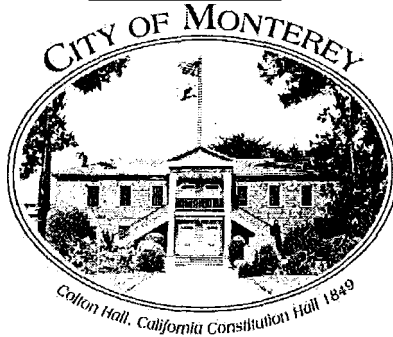


EXHIBIT 2-B



April 30, 2020

Mr. Dave Stoldt, General Manager
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93940

Subject: Near term water needs for housing for the city of Monterey

Dear Mr. Stoldt,

The City of Monterey values this opportunity to share with you our near-term projects with needs for Cal-Am water that is presently not available through an Allocation or Entitlement. In fact, the City does not presently have any significant water to allocate to any project. My understanding is that the City of Monterey is one of only three jurisdictions with such a predicament, including Monterey County and Carmel-by-the-Sea.

The City of Monterey has six near term, shovel-ready housing projects, which we hope that you will consider as potentially beneficial for the wider region (see tables 1 & 2). Monterey is centrally located among all jurisdictions regulated by the Monterey Peninsula Water District. Housing created within our city boundaries will likely have the ripple effect of benefiting surrounding jurisdictions by providing housing for regional employees and families near easily accessible highways, multi-modal trails, and transit stops.

Tables 1 and 2: The difference between having and not having water available for six shovel-ready projects in Monterey for 2020-2021.

TOTAL HOUSING UNITS	
303	Possible only if water is available.
92	Maximum without water being available (58 units at 2600 Garden Road & 34 units at 2000 Garden Road).
211	Lost opportunity for housing units without water.

AFFORDABLE HOUSING UNITS	
200	Possible only if water is available.
19	Maximum without water being available.
181	Lost opportunity for affordable housing units without water.

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Shovel ready projects in Monterey

Monterey City Council continues to prioritize creation of housing, particularly affordable housing, which was evidenced with adoption of two recent zoning Overlays: one along Garden Road, and another within the eastern region of downtown. Three developers have stepped forward with proposals for six projects that would total more than 300 housing units, all with a commitment to construct the buildings as soon as possible (see table 3).

Both zoning Overlays include a unit cap; approximately 400 units along Garden Road, and 200 in East Downtown. Housing proposals are reviewed on a first-come, first-served basis.

Table 3: Description of the top six Monterey shovel-ready projects

Units	Address	Units with Water Ask	Water Credit	?9 taJ, Neea	Affordable Units	Shovel Ready
93	2600 Garden Road	35	6.9600	-4.2000	50%	6 months
36	650 East Franklin	35	0.1371	4.1829	100%	6 months
65	2000 Garden Road	31	4.0800	3.7200	60%	8 months
28	590 Del Monte	28	0.0840	3.2760	100%	12 nionths
18	828 Lighthouse	16	0.2128	- 1.9472	100%	18 months
63	2560 Garden Road	48	1.8800	5.68	50%	18 months
Total 303 units	6 project sites	Water needed for 145 units	13.35 acre feet of water available to offset need	23.01 OR 7.43* acre feet needed	Average 77%	Average 11 months

* The amount needed is decreased because builders have committed to incorporating grey-water systems to use for toilets and washing machines.

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The number of units possible for construction without additional water allocation is significantly lower than the total number because only two of the six projects would go forward with diminished numbers without being able to construct units reliant on additional water. Out of the total number of potential housing units, 211, that could be constructed with this request for 7.43 acre feet of water; 181 units, or 86% of the total number of units, would be dedicated to affordable housing.

Builders have committed to dedicating as affordable some if not all of the units enabled with additional water allocation. This affordable housing dedication is stacked and in addition to the required 20% of affordable housing required through our inclusionary ordinance. This group of builders have also committed to using grey water systems to maximize the water that may be made available. This represents a savings of 15.58 acre feet of water, or a value that is in excess of 300%. For every drop of water that the District might be willing to allocate, that water is matched twofold in the creation of housing units for our region.

Unique owner and builder situation in Monterey

Property owners within the City of Monterey are often long-term owners with resilient financial situations that make them uniquely positioned in this post-COVID reality to follow through with their commitment to construct this housing in a timely manner. Builders engaged in the early design review process for these six project sites have unique leverage based on longevity with local construction and diversified interests in the field of construction, which further strengthens the likelihood that this construction is truly shovel-ready.

RHNA numbers impossible to meet without added water

Following adoption of the City's General Plan Housing Element in 2016, the Association of Monterey Bay Area Governments (AMBAG) allocated our city's "fair share" of the region's projected housing needs by household income level. This distribution is commonly referred to as the Regional Housing Needs Allocation (RHNA). The intent of the RHNA is to ensure that local jurisdictions address not only the needs of their immediate areas but also fill the housing needs for the entire region.

In order to meet the RHNA goal to ensure that our city provides an opportunity for a mix of affordable housing to all economic segments of its population, the City's General Plan Housing Element includes programs and actions to be taken.

Housing production in the City of Monterey remains significantly below targets. The primary constraint to housing development is water supply. In 2019, the City approved 105 new dwelling units. Of these units, twelve units are deed restricted per the City's Inclusionary Housing Ordinance and 93 units are market rate units. In 2019, the City approved final inspections for six new accessory dwelling units and three single-family homes.

Without ameliorating the City's water supply deficiency, even with a one-time allocation, housing production in the city of Monterey will not meet State goals (see table 4).

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Table 4: RHNA numbers for 2023 Monterey Goal

City qt Monterey -			
Income Group	Total RHNA	Finalized Building Permits	Remaining RHNA Goal
Very Low	157	19	138
Low	102	0	102
Moderate	119	2	117
Above Moderate	272	66	206
Total	650	87	563

Water wait list update

City staff has thoroughly researched and reviewed projects currently on our water wait list. Most of the requests have been for sites that do not have a water meter, making them not eligible for the requested list, as a condition of the current cease and desist order. There is one multifamily request, the Strangio site, which has not been included with this list because the ratio of water requested for the 5 unit project did not justify initial prioritization for the 0.4 acre feet of water, but this project is included with a list of longer-term projects anticipated for Monterey.

Longer Term Projects in the City of Monterey

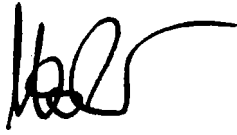
A total of 270 additional housing units are currently at some stage of planning, which would require an additional 28.29 acre feet of water, if none of these projects were to be designed for grey-water use. This longer-term project list includes the Strangio apartments, as well as four City-owned sites anticipated to be constructed with 100% affordable units.

The City of Monterey appreciates the opportunity to provide this list of shovel-ready projects for the Monterey Peninsula Water District to consider with potential future allocation. While an allocation of less than 8 acre wouldn't be the missing link to enable the city to meet the 2023 RHNA goals, it would get us more than halfway there and cut our need in half.

Please consider our city's unique opportunity to capitalize on the readiness of local property owners and builders to provide an incredible wealth of new housing options for folks in our region to have access to a better quality of life. The City would maximize all water made available, and could commit that 86% of the units made available with water allocation would be deed restricted as affordable into the future.

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Sincerely,

A handwritten signature in black ink, appearing to be 'H. S.', with a long horizontal flourish extending to the right.

City Manager

- c City of Monterey Council Members
 - Brad Slama, Developer and property owner
 - Dean Rodatos, Developer and property owner
 - Nader Agha, Developer and property owner
 - Laith Agha, Developer and property owner