

March 3, 2025

Chairperson Gloria Velasquez and Planning Commissioners
City of Gonzales Planning Commission
P.O. Box 647
Gonzales, CA 93926
Email: public.input@ci.gonzales.ca.us

Re: Vista Lucia Proposed Affordable Housing Provisions

Dear Chairperson Velasquez and Planning Commissioners,

Vista Lucia would be a city-sized subdivision with 3,498 housing units and two small commercial centers proposed on 771 acres northeast of Gonzales. The draft EIR, Specific Plan, Development Agreement, and other approval documents are scheduled for presentation to the Planning Commission on Monday, March 10, 2025.

Given that this development would be the source of a vast majority of new housing for Gonzales over the next 30 years, it is critical that decision-makers and the community carefully review the details of what is being proposed. It is critical because neither the Specific Plan nor the Development Agreement provide the levels of affordable housing they claim.

The approval documents reference two ways of creating affordable units: (1) “affordability by design” units, which are purportedly less expensive due to the density of the zoning district; and (2) units built by a qualified affordable housing organization.

However, the “affordability by design” units described in the Specific Plan will not, in fact, be affordable to most people who live or work in Gonzales. And, the sections in the Specific Plan and the Development Agreement that discuss finding qualified affordable housing organizations to build affordable units do not actually require these units be constructed, which is a major loophole that needs to be closed if the City wishes to see these units constructed.

Vista Lucia Approval Documents Fail to Guarantee Affordable-By-Design Units

The Specific Plan and the Development Agreement contain provisions that will guide the build-out of Vista Lucia, but neither document guarantees the construction of any “affordability by design” units.

The Specific Plan section entitled *Vista Lucia Affordable Housing Plan* lists five zoning districts and the number of residential units planned for each area.¹ Although the Specific Plan claims that the housing units in some districts will offer “affordability by design,” it does not provide the anticipated prices for these units.² However, the prices for each type of planned unit can be found in the Gonzales Sphere of Influence Area Annexation Fiscal Impact Analysis completed by Wildan Financial Services (April 18, 2023) and referenced in the Vista Lucia Specific Plan Final EIR.

The Fiscal Impact Analysis identifies the planned unit sizes and assessed value per square foot for each zoning district, from which unit sales prices can be determined, as follows:³

Zoning	Density	Units	Unit Price
High Density	15-24 units/acre	640 traditional multi-family units	\$555,000
Mixed Use	7-15 units/acre	89 units	\$450,000
Medium-High Density	9-15 units/acre	540 units	\$560,000
Medium	6-9 units/acre	1,239 single family detached units	\$585,000
Low	3-7 units/acre	990 single family detached units	\$650,000

Without providing any information about planned housing prices or the income levels of those who live and work in Gonzales, the Specific Plan states that the goals of the High Density zoning district and the Mixed Use zoning district are “to provide housing opportunities to very low and low income households.”⁴ An announced goal of the Medium High Density zoning district is “to provide housing opportunities to low and moderate income households.” The goals of the Medium Density and Low Density include providing “housing opportunities to moderate income households.”

¹ Vista Lucia Specific Plan, (pp. 2-10, 2-17 to 2-18.)

² Affordability by design is achieved in part through high density, multi-family projects. Under State law, a minimum zoning of 20 units per acre is required for jurisdictions in Monterey County to claim in their Housing Elements that certain zoning will result in affordable housing. Although the highest density zoning in Gonzales (“Neighborhood Residential High Density”) accommodates 15-24 units per acre, this density by itself does not ensure affordability.

³ Wildan Financial Services, Gonzales Sphere of Influence Area Annexation Fiscal Impact Analysis, April 18, 2023, p.9, Table 5, Land Use Assumptions.

⁴ Vista Lucia Specific Plan, p. 2-17.

However, even the least expensive units, those in the Mixed Use and High Density districts that will sell for \$450,000 to \$555,000, would not be affordable to lower and moderate income households in Gonzales. Nor would the \$560,000 and \$585,000 units in the Medium-High and Medium Density districts be affordable to moderate or lower income households.

As the Gonzales Housing Element explains, households can dedicate only 30% of income to housing before they are “cost burdened.”⁵ The rule of thumb to avoid cost burdening households is that annual income must be 33-40% of the unit sales price. This means that a household income would have to be at least \$150,000 to afford a \$450,000 Mixed Use district unit and at least \$185,000 to afford a \$555,000 High Density district unit. Incomes would have to be even greater to afford units in the Medium-High and Medium Density districts.

Bluntly, none of the units planned for Vista Lucia are affordable to Lower or Moderate income households. The Housing Element defines Lower income households as those with less than 80% of the Area Median Income (AMI), which, for the Monterey County area, is less than 80% of the County AMI of \$82,013, or \$65,610.⁶ Moderate income households are those with 80% to 120% of the AMI, i.e., \$65,610 to \$98,416. Obviously, Gonzales’ Lower and Moderate income households simply do not earn the \$150,000 to \$185,000 that would be needed for even the least expensive Vista Lucia units.

The consequence is to exclude more than half of Gonzales’ existing households from buying a home in Vista Lucia. The income profiles in the 6th Cycle Housing Element show that 49% of existing households are Lower income.⁷ At least another 6% of households are Moderate income.⁸ The Housing Element reports the median income for Gonzales is lower than the County median income - only \$73,906.

Furthermore, the planned residential unit sales prices will not be affordable to most of those who work in Gonzales but who now live outside the City. Most of Gonzales’ major employment is low wage agricultural work.⁹

⁵ City of Gonzales, Housing Element Update, 6th Housing Element Cycle, 2023-2031, Dec. 2024, Sections 4-5, p. 4., available at

https://cityofgonzales1-my.sharepoint.com/:b:/g/personal/epalmerin_ci_gonzales_ca_us/EYzAe_vWJmRDtpZ6gxAB8hEBZ4GkoyULJ_oOx21PrOMxgg?e=ysnqNA

⁶ Housing Element Update, Sections 4-5, pp. 4, 18.

⁷ Housing Element Update, Sections 4-5, Table 40.

⁸ Unaccountably, the Housing Element does not provide a count of households earning between 80% and 120% of AMI, which is the range for Moderate income households. Instead, it counts only the number of households earning between 80% and 100% of AMI, which it determines to be 6% of all households. Thus, the actual number of Moderate income households is likely greater than 6% because the Housing Element omits households earning from 100% to 120% of AMI.

⁹ Housing Element Update, Sections 4-5, Tables 8A and 8B [employers], Table 12 [wages].

The Specific Plan states that units in the High Density zoning district would be “primarily rentals,” but that will not ensure that they are affordable. The Specific Plan neither specifies a required number of rentals nor limits pricing. Without pricing limits, rentals do not solve the affordability problem. First, a landlord who must pay a market price of \$555,000 per unit in a traditional multi-family building cannot afford to rent that unit for rates less than 30% of 80% of AMI, i.e., \$1,640 per month. Yet this \$1,640 represents the maximum cost burden for a Low income Gonzales household. Second, nothing in the draft Specific Plan or draft Development Agreement requires that the units in the High Density district actually be rentals.

Furthermore, the home price estimates in the Fiscal Analysis are not binding on the Developer; neither the Specific Plan nor the Development Agreement prevent the developer from building large, luxury units and charging more for them.

In sum, the planned residential units in Vista Lucia, even those in the High Density district, are not in fact planned to offer “affordability by design” because they would not in fact be affordable to Lower and Moderate income households. The Vista Lucia Specific Plan’s claim that affordability by design will be ensured by its zoning densities is not true.¹⁰ Density is necessary, but not sufficient for affordability by design.

As discussed in the next section, there is no requirement that the developer put sales or rental price restrictions on any of these so-called “affordable units.”

Vista Lucia Approval Documents Fail to Require Affordable Housing

The Specific Plan claims that Vista Lucia “will provide” the City’s RHNA share of affordable units:

More importantly, based on the Association of Monterey Bay Area Governments’ assignment to the City of Gonzales of an obligation to provide 198 very low and low income affordable housing units, Vista Lucia will provide all of the dwelling units needed to meet the City’s obligation to provide dwelling units to very low and low income households.¹¹

This claim is not supported by the Specific Plan or the proposed Development Agreement, neither of which actually require the Master Developer, a future Owner, the City, or an affordable housing developer to build affordable units.

¹⁰ Vista Lucia Specific Plan, p. 2-18.

¹¹ Vista Lucia Specific Plan, p. 2-18, emphasis added.

Section 4.9 of the draft Development Agreement outlines the “Owner Affordable Housing Obligations,” identifying two different kinds of so-called affordable units – 422 multi-family units to be constructed in Blocks 6 and 25, and 49 “self-help” or “sweat equity homes” to be constructed in Blocks 3 and 20.

The draft Development Agreement requires the Master Developer to offer land for affordable housing, but nothing requires that the housing actually be built. Here are the key provisions:

- Section 4.9.1 states that Block 6, approximately 10 acres, “is intended for and shall be used for the construction of affordable homes thereon.”
- Within one year of acquiring title, the Master Developer shall “use its best efforts, with the City’s cooperation, to reach a binding agreement for donation of Block 6 to a qualified affordable housing developer approved by the City,” and “shall include assignment to the affordable housing builder a total of 211 affordable units.”
- If the Master Developer cannot execute such an agreement with an affordable housing builder within one year, the land is offered to the City, which “has a right, but not an obligation, to accept such offer.”
- If the City refuses the land, or if an agreement with an affordable housing developer is terminated (e.g., for failure to build the housing), the developer then has another year to find an affordable housing developer willing to take title to the land. If no affordable housing developer is forthcoming, the Master Developer then must deed the land to the City.

In short, the Master Developer’s only obligation is to offer the land to an affordable housing developer or the City. But nothing in the Development Agreement ensures that an affordable housing developer actually build housing. And even if the City ultimately accepts the land donation, it too is under no obligation to provide affordable housing on the site. This 10-acre parcel could sit for years, even decades, without a single unit being built.

This same language is repeated for Block 25 (acreage not provided) in Section 4.9.3., with an additional 211 units, which, again, may never be built.

Thus, while the Master Developer is required to “use its best efforts” to find an affordable housing developer willing to accept blocks 6 and 25 for the construction of the 422 multi-family units, the Development Agreement does not provide that units must be priced at levels affordable to Lower or Moderate income households, or that the units must be deed-restricted, or that the units must ultimately be built at all.

Nor does the Specific Plan separately include any enforceable requirements regarding pricing, deed-restrictions, or the actual provision of affordable units.

The Development Agreement also requires the Master Developer to seek a buyer of certain lots at market rate for the construction of 49 “self help” homes, or “sweat equity” homes. Under this model, an organization with specialized capacity and knowledge works directly with homeowners who are willing to help construct their homes; the owner and family members put a certain number of hours into home construction activities within their abilities, overseen by a contractor. This is a special model of creating affordable homes that is limited to organizations experienced and willing to undertake the task. However, again there is no requirement that sweat equity housing actually be built. If the Master Developer cannot find a market rate lot buyer willing to build subject to these terms within three years, “Master Developer shall have the right to sell and convey the ... lots or any portion thereof to a market rate builder.” (Sections 4.9.4 and 4.9.5) In other words, the promise of these self-help homes is abandoned.

The Specific Plan And Development Agreement Should Be Revised To Ensure Affordable Housing Is Actually Provided In Vista Lucia

As discussed, the problem with the Specific Plan’s “affordability by design” provisions is that reliance on zoning density alone is insufficient to ensure affordable units. And the problem with the Development Agreement is that it does not actually require provision of any affordable units. The City should make the following changes to the Specific Plan and Development Agreement to attain the reasonable and modest goal that at least 15% of the Vista Lucia units be affordable to Lower and Moderate income families, i.e., 525 of the 3,498 units.

First, the Development Agreement should be revised to require that the 211 affordable units in Block 6 actually be constructed concurrently with market rate units. For example, the Development Agreement could require that occupancy certificates be issued for 50 affordable units before a building permit may be issued for the 201st market rate unit, and that 50 affordable units be built for each 200 market rate units thereafter. The same requirement should apply to Block 25 where another 211 affordable units are planned. Other blocks should be required to include another 103 units affordable to Lower and Moderate Income households. Only if the Master Developer has a genuine incentive to locate an affordable housing developer and to make sure that developer actually builds affordable units will the City have any assurance that Vista Lucia will include housing units for Lower and Moderate income families.

Second, to ensure that units can be built affordably, the Specific Plan should encourage provision of smaller units than those proposed in the Fiscal Analysis¹² and should eliminate or reduce parking requirements for affordable units. Development standards including setbacks, floor area ratios, and height limitations should be liberalized in buildings providing affordable units.

Third, the City should approve Alternative 4 to the preferred project, the High Density Alternative described in the Final EIR.¹³ This alternative would substantially increase planned density and would thereby eliminate or substantially reduce several significant environmental impacts. Higher density, smaller units, and liberalized development standards would make it possible to require that at least 525 of the 1400 units in the areas zoned for High Density must be affordable to Lower or Moderate Income families.

Contrary to the draft CEQA findings, the elimination of 990 Low Density units in Alternative 4 would not decrease the opportunities for families that live or work in Gonzales to purchase for-sale units. With an expected price of \$650,000, these low density units would only be affordable to households earning at least \$216,000. The Census Bureau's 2023 five year data profile shows that only 8% of Gonzales earns over \$200,000.¹⁴ **So the low density units are affordable to at most 8% of Gonzales' population.** By contrast, Alternative 4 could increase the opportunity for for-sale units because small townhouses and condominiums in the High Density zoning district could be developed much more affordably.

¹² The Fiscal Analysis assumes that High Density units will be 1500 sq. ft. Smaller units are feasible and less expensive.

¹³ The higher density alternative would include the following housing mix:

- 1400 units to be on sites zoned at a minimum density of 20 units per acre,
- 1008 units to be developed at an average density of 12 units per acre,
- 1000 units to be developed at an average density of 7 units per acre
- 89 units at 11 units per acre (mixed use)

¹⁴ U.S. Census Bureau, Gonzales CA Profile Data, American Community Survey 2023 5-year data, available at <https://censusreporter.org/profiles/16000US0630392-gonzales-ca/>.

Conclusion

The planning documents for Vista Lucia fail egregiously in providing for affordable by design and deed restricted units affordable to Lower and Moderate income households. The City needs to revise the draft Specific Plan and draft Development Agreement to guarantee real affordable housing as proposed above. Absent such changes, the entirety of Vista Lucia could be constructed without any units affordable to Lower and Moderate income families.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael DeLapa". The signature is fluid and cursive, with the first name "Michael" and last name "DeLapa" clearly distinguishable.

Michael DeLapa
Executive Director