

The existing housing stock in Seaside and Marina is relatively affordable, predominantly single family, and serves as an important source of housing for service workers employed on the Peninsula. Nearly half of all housing units in the North Peninsula were built in the 1960s and 1970s, the period when Seaside and Marina experienced significant population growth associated with the expansion of Fort Ord. Many of the housing units built during this era were small, low-cost, single-family homes, and many of these are now being rented and are in need of repair or renovation. The older, rented homes in Seaside and Marina provide one of the few sources of affordable, market-rate housing for service workers employed in the Peninsula. In the wake of the housing market crash that began in 2007 and 2008, there has been a significant increase in the number of investors purchasing single-family homes and placing them on the rental market. Investors have focused on Marina and Seaside in particular due to their affordability and proximity to service jobs in the West Peninsula.

Seaside and Marina have not historically attracted many second homebuyers and retirees. While the high cost of housing in the West Peninsula is supported by a large percentage of second homes and wealthy retirees, there has been less demand to date from these types of buyers in Marina, Seaside, and Fort Ord. Local brokers noted that the majority of second homebuyers considering options in the Peninsula are looking for the lifestyle and amenities associated with Carmel, Pebble Beach, and surrounding affluent communities. Anecdotally, brokers suggest that in some communities in Carmel and Pebble Beach, 60 percent or more of housing units are owned by second homeowners and are not occupied full-time. In comparison, second homeowners are thought to account for around 10 to 20 percent of the market in Seaside and Marina.

The first two major residential projects to commence development in Monterey County since the recession are both located on Fort Ord. There are currently two residential projects underway on the former Fort Ord: East Garrison and The Dunes. The projects are both in their preliminary phases, which include market-rate, for-sale single-family homes as well affordable rental units. The for-sale component of both projects is predominantly composed of single-family detached units, although The Dunes also includes some duets (attached single-family homes). At East Garrison, permits for 170 single-family units have been pulled; approximately 50 units are completed and 70 sold (including pre-sales), with more are under construction. Model homes at The Dunes are under construction, with sales expected to begin in February 2015.

Despite the new construction at East Garrison and The Dunes, absorption of new, market-rate housing units in the Peninsula has been slower than AMBAG household growth projections would suggest. As discussed above, AMBAG projects that

the North Peninsula cities will add approximately 200 to 300 households a year between 2010 and 2035. However, actual absorption of new, for-sale, market-rate homes in Fort Ord has totaled fewer than 50 units a year since new units at East Garrison first came online in 2012, and is projected to reach approximately 100 units per year with the completion of additional homes at East Garrison and The Dunes in the next few years. (Approximately 170 affordable rental units have also been completed and occupied in the past two years.) The other residential projects in the planning pipeline for the former Fort Ord are currently stalled due to financing, entitlement, water, environmental, or other factors, but could be completed in the medium- to long-term.

The slow development and absorption of new market-rate units reflects slow regional population growth, the lingering effects of the recession, a mismatch between the incomes of Monterey County residents and the prices that are needed to support new development, and the challenges associated with construction on Fort Ord. New construction has been slow to occur on the base, in part as a result of regional economic conditions, including slower than expected population growth, relatively low household incomes in the region, and the effects of the recent recession. Moreover, there is a significant gap between local incomes and new home prices. For example, only 11 percent of Monterey County households can afford a home priced at \$650,000, the cost of a higher-end new home in East Garrison.⁶ Other factors contributing to the challenge of development on Fort Ord include the lack of cohesive neighborhoods, poorly ranked local school districts, and relatively high sales prices that are driven in part by high construction costs associated with blight removal and the prevailing wage requirement.

To some extent, slow absorption rates may also indicate a mismatch between demand and the supply of new units that have entered the market to date. To date, only single-family homes with three or more bedrooms have been completed on Fort Ord. These units have proven most attractive for move-up buyers and former renters from within the county, as well as families and older couples relocating from communities outside the area. There may also be demand for smaller, lower cost units - for example, from younger people creating new households by moving out of their parents' home or graduating from CSUMB, or from senior households who would like to move from a single-family home to a smaller unit - that is not being met by the new, single-family housing that on the market. Because the amount of recently completed development in Monterey County is so small, however, the market for smaller and attached units remains largely untested.

In the near-term, single-family homes are expected to account for most new development; marketrate multi-family development will only become economically viable when unit values increase significantly. Market-rate development on Fort Ord is

likely to continue to take the form of single-family units (including attached and detached) in the short-term. To the extent that there is a growing segment of the market that is interested in higher-intensity development, prices will need to increase before this type of product will be financially feasible to build. Current single-family sales prices are adequate to cover the cost of construction - which, on a per-square-foot basis are typically lower for single-family homes than for multi-family development - and offer an acceptable return on investment for single-family homebuilders. However, rents and sales prices are not expected to reach the level required to support multi-family construction costs, including providing an acceptable rate of return for the developer, for at least the next five years.

Vertical mixed-use development is also unlikely to be economically viable in the short- to mid-term. Like other types of multi-family development, mixed-use development will be challenging because it is more expensive to build on a per-square-foot basis, and thus requires higher prices to be financially feasible than the market currently supports. In addition, there is limited demand for additional retail space on the former Fort Ord, and retailers prefer to locate in highly visible, concentrated activity nodes near large, brand-name anchor tenants. These location considerations are often difficult to accommodate in a vertical mixed-use format.

Absorbing the housing development anticipated in the BRP will likely require attracting segments of the housing market not currently active in the North Peninsula, including retirees and second homebuyers. Given the relatively low incomes in the North Peninsula and slow pace of household growth and employment that is projected over the coming decades, Fort Ord will need to attract buyers from outside the region in order to fully realize the community's vision for the base reuse. Although Seaside and Marina had historically struggled to attract retirees and second homebuyers, Fort Ord could prove attractive for moderate-income buyers from inland Monterey County or other parts of the Central California, who are looking for a second home or retirement community located near the coast that is relatively affordable compared to communities such as Carmel and Pebble Beach.

Attracting and retaining members of the Millennial generation will also be critical to the long-term economic revitalization of the North and West Peninsula area. In many other parts of the country, people in their 20s and 30s (the Millennial generation) have been driving demand for new housing. In the North and West Peninsula, however, the population under age 45 has been decreasing since the 1990s (see discussion of demographic trends in Chapter III). In order to stabilize or reverse the decline in young people and retain CSUMB graduates and other younger households over time, the region will need to provide housing and neighborhoods that meet their preferences, as well as good

jobs and high-quality K- 12 schools for families with children. In order to help grow the base of high-quality jobs and retain more young workers, the County Economic Development Department, CSUMB, UC MBEST, and individual cities' economic development staff are working to capitalize on key employment sectors already present in the county, including pursuing approaches to expand education, health, and hospitality employment as well as research and development opportunities in agriculture and marine research.

The Regional Urban Design Guidelines represent an opportunity to help make Fort Ord more attractive for Millennials, families, and older second homebuyers and retirees, as well as more functional for an aging population. Surveys indicate that Baby Boomers and Millennials are less interested in other age groups in traditional, auto-dependent suburbs, and instead prefer locations with easy access to amenities and a broader range of mobility options such as walking and public transit.⁷ Creating more cohesive, pedestrian-oriented neighborhoods with improved connections to retail and other activity centers could help make Fort Ord more attractive for these buyers.