



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MAY 2, 2023

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: MEGAN HUNTER, COMMUNITY DEVELOPMENT DIRECTOR

THROUGH: ROD POWELL, PLANNING MANAGER

BY: LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST

TITLE: CITY OF SALINAS AND HOUSING AUTHORITY OF THE COUNTY OF MONTEREY MEMORANDUM OF UNDERSTANDING

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

1. the City Manager or designee to execute a Memorandum of Understanding (MOU) between the City of Salinas (City) and the Housing Authority of the County of Monterey (HACM) for the completion of required U.S. Department of Housing and Urban Development (HUD) Environmental Review Records; and
2. the City Manager or designee to approve any future, necessary revisions, amendments and/or modifications to the MOU to continue to remain compliant with HUD regulations and guidance.

EXECUTIVE SUMMARY:

On December 19, 2022, HUD notified the City and HACM of its contingent intent to grant a waiver of 24 CFR Part 58 to allow the use of 85 HUD Section 8 Project-Based Vouchers (PBVs) to support the Step Up in Salinas Homekey Project. In accordance with this stipulated notice and guidance, the City and HACM have collaborated and prepared a required, proposed MOU outlining the specific roles and responsibilities of each entity regarding the completion of required HUD Environmental Reviews.

BACKGROUND:

In July 2020 the California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for its emerging Homekey Program identifying an available new source of significant funding intended to rapidly sustain and expand the inventory of affordable housing for people experiencing homelessness. As part of this program, local jurisdictions are able to develop collaborative partnerships to quickly acquire and convert existing motels and hotels to permanent housing. On October 13, 2020, the City Council authorized the City to enter into a Co-

Application through the California Department of Housing and Community Development (HCD) with Shangri-La and Step Up on Second for the Good Nite Inn Hotel located at 545 Work Street. The Project application identified the acquisition and conversion of the existing 103-room hotel located at 545 Work Street, Salinas, CA 93901 to 101 units of interim housing in the first year allowing for limited renovation and conversion to affordable permanent supportive housing thereafter with a preference to house those experiencing chronic homelessness.

HCD awarded the project \$9.2 million in October 2020 allowing a limited partnership, 545 Work Street LP, to acquire the property in December 2020. On January 6, 2022, the City of Salinas and 545 Work Street LP executed a Regulatory Agreement and Declaration of Restrictive Covenants to ensure necessary affordability covenants for all units. Simultaneously, the project's development and operational partners, Shangri La Industries (SLI) and Step Up, submitted an application to the Housing Authority of the County of Monterey (HACM) on August 19, 2020, to request an award of PBVs to support and sustain housing and support services for the project's future residents. Shortly thereafter, on December 7, 2020, HACM notified the project partners of its conditional award of eighty-five (85) PBVs to the project with an approximate value of \$1,378,020 dollars annually for a period of twenty-five (25) years. A final award letter from HACM for the 85 PBVs was sent on June 15, 2021.

In May 2021, following the issuance of building permits, SLI initiated its rehabilitation activities of the project using HCD Homekey funds before completing the Environmental Assessment and obtaining the Authority to Use Grant Funds (AUGF) from HUD. Unknowingly, this resulted in a violation as HUD considers this action as a prohibited choice-limiting action. On July 23, 2021, HUD notified HACM and the City of the regulatory violation and informed the City of the option to submit a request to HUD to review the circumstances of the violation and consider approving the project.

DISCUSSION:

The City, HACM, SLI, and Step Up have been in continuous collaboration with HUD regarding approval of the waiver associated with the PVB award. HUD's December 19, 2022, letter indicating approval also imposed seven (7) conditions of compliance related to the finalization of the project's required environmental assessment – one being the execution of an appropriate Memorandum of Understanding between the City and HACM regarding roles and responsibilities for the completion of all future HUD environment review records.

The City and HACM have been collaborating since January of 2023 to craft the proposed MOU. HACM plans to present the MOU to their Board of Commissioners on April 24, 2023, for final approval. HUD has stipulated the submission of a jointly approved and executed MOU by no later than June 17, 2023.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

The proposed MOU supports City of Salinas Strategic Plan 2022-2025 Goals and Strategies of *Housing and Affordable Housing*.

DEPARTMENTAL COORDINATION:

This agenda item originates from the City's Community Development Department (CDD), Housing and Community Development Division under significant, formal collaboration with HUD, HACM, SLI, and Step Up, and in consultation with the City Attorney.

FISCAL AND SUSTAINABILITY IMPACT:

Execution of the proposed MOU to satisfy HUD's conditional approval of the waiver will create 85 ongoing, extremely affordable housing opportunities for Salinas residents and will significantly contribute to the ongoing operational support of the Step Up in Salinas Homekey project. This item has no fiscal impact to the City.

ATTACHMENTS:

Resolution
Draft Memorandum of Understanding
HUD Waiver Conditional Approval