



**CITY OF SALINAS  
HOUSING AND LAND USE COMMITTEE**

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**DATE:** NOVEMBER 5, 2024

**DEPARTMENT:** COMMUNITY DEVELOPMENT

**FROM:** LISA BRINTON, DIRECTOR

**THROUGH:** VINCENT MONTGOMERY, PLANNING MANAGER

**BY:** LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST  
DAVID VIGIL, ADMINISTRATIVE ANALYST  
MONICA FLORES-PONCE, COMMUNITY DEVELOPMENT ANALYST

**TITLE:** AUTHORIZATION TO ENTER INTO A FUNDING AGREEMENT WITH THE HOUSING AUTHORITY OF THE COUNTY OF MONTEREY TO SUPPORT THE ACQUISITION OF 1030 FAIRVIEW AVENUE

**RECOMMENDED MOTION:**

A motion recommending that the City Council approve a Resolution authorizing:

1. the allocation of up to \$1,330,263 in Permanent Local Housing Allocation (PLHA) funds to the Housing Authority of the County of Monterey (HACM) to support the acquisition of the 1030 Fairview Avenue property (Property); and
2. the allocation of up to \$1,169,737 in Prohousing Incentive Program (PIP) funds to HACM to support the acquisition of the Property; and
3. authorization to the City Manager, or designee, to negotiate and execute all applicable forms, conditional commitment letters, agreements, grant-related documents, and subsequent amendments as needed.

**EXECUTIVE SUMMARY**

This request seeks a recommendation to the City Council approving a one-time contribution of up to \$2.5 million to the Housing Authority of the County of Monterey (HACM) to support the acquisition of 1030 Fairview Avenue (Property). The County of Monterey Behavioral Health will match this contribution. The Property, formerly known as the Homekey Project (Salinas Inn), is a strategically important location for expanding permanent supportive housing in Monterey County,

with 42 studio units and a 1-bedroom manager’s unit that have been renovated. This acquisition will help retain the Property as permanent supportive housing for residents experiencing homelessness with mental illness and/or other health conditions.

**BACKGROUND:**

The City, Shangri-La Industries LLC (Shangri-La), and Step Up on Second Street, Inc. (Step Up) entered Memorandums of Understanding (MOUs) for the property management and case management of the Sanborn Inn and Salinas Inn Homekey projects. The City allocated \$1,014,000 of PLHA funds to the Sanborn Inn and \$220,000 to the Salinas Inn for operations of a permanent supportive housing project. However, the City never formalized Funding Agreements with Shangri-La and Step Up. In 2023, Shangri-La defaulted on both Homekey projects, leading to their foreclosure. Both properties were sold to new owners. The property, formerly known as the Homekey Project (Salinas Inn), is a strategically important location for expanding permanent supportive housing in Monterey County, with 44 studio units and a manager’s unit that have been fully renovated. The new owner of the Salinas Inn located at 1030 Fairview Avenue is considering selling the Property. The City of Salinas and the County are interested in financially assisting HACM in potentially purchasing and operating the Property and preserving it as a permanent supportive housing project. Both agencies are proposing a contribution of up to \$2.5 million dollars to support property acquisition. The Housing Authority is in the process of having the property appraised and is exploring other one-time funding investments to support acquisition of Fairview Inn in partnership with the City of Salinas and County of Monterey.

Reallocation of Year Two PLHA Funds

The City intends to allocate up to \$1,330,263 of PLHA funds from year two under Activity 6 for the acquisition of the Property. PLHA Activity 6 funds were intended for the operational costs to run the Sanborn Inn and Salinas Inn Homekey projects. In September 2024, City staff consulted with the state Housing and Community Development Department (HCD) and confirmed that under Activity 6, the funding can be redirected towards the acquisition of a permanent supportive housing project for unsheltered individuals without having to go through a budget amendment. The table below shows the intended reallocation of PLHA funds.

		<b>Current PLHA Allocation</b>	<b>Proposed PLHA Allocation</b>
<b>Activity Description</b>	<b>Program</b>	<b>2020 (2<sup>nd</sup> Year)</b>	<b>2020 (2<sup>nd</sup> Year)</b>
Activity #6 Homeless Services Assistance	180 S. Sanborn Rd.	\$1,014,000	\$0
	1030 Fairview Ave.	\$220,000	+/- \$1,330,263
	Unencumbered	\$96,263	\$0
<b>Total</b>		<b>\$1,330,263</b>	<b>\$1,330,263</b>

Reallocation of Prohousing Implementation Program Funds

On May 9, 2023, the City received a conditional award letter from HCD in the amount of \$1,650,000 for the PIP Program and the Standard Agreement was executed on January 26, 2024. Before executing the Standard Agreement, on December 11, 2023, the City had already executed a Conditional Funding Reservation Letter to Envision Housing LLC for \$500,000 in PIP funds

towards the predevelopment costs of the 100% affordable housing project at 467/479 E. Market Street. This project didn't secure additional funding sources, and the City is proposing to unreserve the \$500,000 and allocate the funds towards the acquisition of the Property. Additionally, under the PIP Program, the City had allocated \$500,000 towards the creation of First Time Homebuyer Program and \$169,737 in unencumbered funds. The City intends to reallocate both amounts to the acquisition of the Property. This will bring the City's total PIP allocation up to \$1,169,737. The table below shows the intended reallocation of PIP funds.

Activity Description	Current PIP Allocation		Proposed PIP Allocation	
	Amount	Project	Amount	Project
Administration	\$82,500	Administration	\$82,500	Administration
Multifamily Affordable Housing	\$500,000	467/479 E. Market St.	+/- \$1,169,737	1030 Fairview Ave.
	\$567,000	Unencumbered	\$397,763	Unencumbered
Homeownership Opportunities	\$500,000	Unencumbered	\$0	No Funds Available
<b>Total</b>	<b>\$1,650,000</b>		<b>\$1,650,000</b>	

With the PIP and PLHA funds, the City will allocate up to \$2,500,000 to HACM to support the acquisition of the Property. The PLHA year two award expenditure deadline is April 31, 2025, and the PIP expenditure Deadline is June 30, 2025. By committing both PLHA and PIP funds to the acquisition of the Property, the City will ensure compliance with both grant expenditure deadlines.

To ensure the successful completion of the 467/479 E. Market Street and the Sanborn Inn projects and the establishment of a First Time Homebuyer program, the City will identify and make them whole with other available City grant resources. Acquisition funding support reflects the City's commitment to fostering affordable and permanent supportive housing projects.

ATTACHMENTS:

1. PPT PLHA and PIP Fund Allocation to HACM