



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

DATE: SEPTEMBER 3, 2024

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: FRANCISCO BRAMBILA, ACTING PLANNING MANAGER

THROUGH: LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST

BY: MONICA FLORES-PONCE, COMMUNITY DEVELOPMENT ANALYST

TITLE: CONDITIONAL COMMITMENT LETTER TO THE HOUSING AUTHORITY OF THE COUNTY OF MONTEREY FOR THE DEVELOPMENT OF DIVISION STREET PROPERTIES (921 E. MARKET ST. AND 115-151 DIVISION STREET)

RECOMMENDED MOTION:

A motion supporting the approval of a City Council resolution authorizing the City Manager to issue a Conditional Commitment Letter to Housing Authority of the County of Monterey (HACM) for predevelopment and construction costs in the amount of \$3,080,000 from the Salinas Local Housing Trust Fund for a proposed one-hundred percent affordable multifamily rental housing project at the Division Street properties (921 E. Market St. and 115-151 Division St).

DISCUSSION:

The City owns seven small contiguous parcels on the west side of Division Street (921 E. Market Street and 115-151 Division Street), when combined, are approximately 2.5 acres (Division Street properties). In October 2020, the City issued a notice of availability of surplus property along with a Request for Proposals (RFP) seeking a developer team to design, build, and manage the development of a one-hundred percent affordable multi-family rental housing project at the Division Street properties. The Monterey County Housing Authority Development Corporation (HDC), the development arm of the Housing Authority of Monterey County (HACM), submitted the only complete response, and was the selected developer.

To incentivize and expedite the development of this project, the City is proposing to allocate funds from the Salinas Local Housing Trust Fund (LHTF), which was established in FY 2023-24, to HACM in the amount of \$3,080,000 for project predevelopment and construction costs. The total commitment amount will be composed of \$1,380,000 in appraised land value of the Division Street

properties, and \$1,700,000 from the LHTF Program funds. These funds will be reserved for HACM through a Conditional Commitment Letter.

HACM's proposed project is anticipated to create 48 units targeted for low, very low, and extremely low-income farmworker families. Currently, HACM anticipates the completion of the project's predevelopment phase by early 2027. Upon completion of the project's predevelopment phase, and should there be funds remaining, HACM will utilize the remaining LHTF Program funds towards the construction of the project.

The commitment of Salinas LHTF funds is based on HACM satisfying the conditions stipulated in the Conditional Commitment Letter, and the negotiation and City Council approval of an Exclusive Negotiating Rights Agreement, and a formal Salinas LHTF Program Funding Agreement. Some of the key conditions stipulated in the Conditional Commitment Letter to be completed by HACM are as follows: Phase I and II Environmental Site Assessment, updated Geotechnical Report and Soils Report, California Environmental Quality Act environmental review, National Environmental Policy Act environmental review, title insurance, insurance policy, entitlement(s), building permit(s), among other key conditions.

It has typically been the City's practice to provide gap funding of this type for affordable housing projects as a simple interest loan with up to three percent (3%) and a loan term of fifty-five (55) years. The project will also carry a deed restriction requiring a fifty-five (55) year affordability period from the issuance of Certificate of Occupancy.

ATTACHMENTS:

1. PPT Presentation