



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: DECEMBER 5, 2023

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: LISA BRINTON, DIRECTOR

THROUGH: ROD POWELL, ASSISTANT DIRECTOR

BY: LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST

TITLE: **CONDITIONAL FUNDING RESERVATION LETTER FOR PREDEVELOPMENT COST OF THE PROPOSED 100% AFFORDABLE MULTIFAMILY HOUSING DEVELOPMENT AT 467-479 E. MARKET STREET**

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing the City Manager to prepare and issue a Conditional Funding Reservation Letter to Envision Housing LLC to potentially provide funding in the amount of \$500,000 from the California Department of Housing and Community Development (HCD) Prohousing Incentive Pilot (PIP) program funds for predevelopment costs of a proposed 100% affordable multifamily housing development at 467-479 E. Market Street.

EXECUTIVE SUMMARY:

Since 2021, the City of Salinas (City) has collaborated with Envision Housing LLC (Envision), a for-profit developer, on development of a proposed 100% affordable multifamily housing development located at 467-479 E. Market Street. The project is currently poised to secure required City entitlement documents and will fully shift to a predevelopment phase in the near future. With preparations now underway to move towards the development of the project's building plans and securing required construction permits, Envision is also preparing to act on its intention to identify, seek, and apply for additional supportive funding for the development, such as the California Tax Credit Allocation Committee (CTCAC), which is often strengthened by a demonstrated commitment of other public funding sources.

To support and maximize these efforts, Envision has formally requested \$500,000 from the City to support the project funding of predevelopment costs. In response, City staff are proposing the City provide a Conditional Funding Reservation Letter to Envision for the requested amount which is contingent upon the developer successfully securing additional predevelopment funds from several other identified sources including the Monterey County Community Foundation and the Housing Trust of Silicon Valley. Upon meeting the conditions stipulated in proposed letter, the City would then move to enter into a formal funding agreement using its awarded Prohousing Incentive Pilot (PIP) Program funds.

BACKGROUND:

Since 2021, the City has engaged with Envision on a proposed 100% affordable multifamily housing development at 467-479 E. Market Street. This proposed project involves demolition of existing on-site structures and the construction of a new 75-unit rental apartment complex inclusive of ground floor commercial space along E. Market St., designated parking, resident amenities, and driveway improvements.

Along with increasing the supply of affordable rental housing opportunities in Salinas, the development also seeks to provide space for a commercial kitchen incubator program in partnership with El Pajaro Community Development Corporation. The project intends to add value to the community by creating a long-lasting building with low maintenance and operational costs that thoughtfully aligns with the City's Alisal Vibrancy Plan.

Presently, Envision anticipates obtaining development entitlements from the City in the very near future and is now shifting its focus towards finalization of its design and building plans and the necessary pursuit of additional predevelopment funding from various sources including the City. Total estimated predevelopment costs for the project are \$3,247,765, inclusive of City's proposed \$500,000 contribution.

Envision currently anticipates completion of the project's predevelopment phase by the end of 2025. Upon completion of the project's predevelopment phase, final construction financing will be sought from a number of sources including the California Tax Credit Allocation Committee, Joe Serna Jr. Farmworker Housing Grant Program, Silicon Valley Housing Trust, and other private sources.

The City's commitment of PIP funds is contingent upon Envision providing supportive predevelopment documents (budget, scope of work and timeline) and successfully securing the balance of its predevelopment cost estimate. Upon satisfying these conditions, the City would seek to return to Council with a formal PIP Program Funding Agreement for final approval. It has typically been the City's practice to provide funding of this type as a 3% simple interest loan under a 55-year term inclusive of a complete subsidy layering and pro-forma.

DEPARTMENT COORDINATION:

Several Departments, including the Community Development Department, Public Works, Fire and City Attorney's Office, have coordinated on moving this project forward.

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 project and action support the City of Salinas Strategic Plan 2022-2025 Goals and Strategies related to *Housing/Affordable Housing*.

FISCAL AND SUSTAINABILITY IMPACT:

Approval of the Conditional Funding Reservation Letter has no impact to the City's General Fund. Funding of a potential future HCD PIP Funding Agreement will come directly from previously awarded and allocated HCD PIP funds.

ATTACHMENTS:

Resolution

City of Salinas Conditional Funding Reservation Letter for Predevelopment Funds - Draft