

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: January 24, 2017

FROM: Megan Hunter, Community Development Director, Community Development (CD) Department.

SUBJECT: **AGREEMENT BETWEEN CITY OF SALINAS AND MONTEREY BAY ECONOMIC PARTNERSHIP (MBEP) TO CONTRIBUTE TO THE MONTEREY BAY HOUSING TRUST FUND**

RECOMMENDATION:

It is recommended that the City Council:

- 1) Approve a resolution authorizing the City Manager to enter into an Agreement with the Monterey Bay Economic Partnership (MBEP) to contribute \$500,000 over the next three years to the Monterey Housing Trust Fund; and
- 2) Allocate \$500,000 over the next three years through the budgetary process to fund said “Agreement”.

DISCUSSION:

The purpose of the Agreement is to establish a partnership with the Monterey Bay Economic Partnership (MBEP) and Housing Trust Silicon Valley and contribute to the Monterey Bay Housing Trust (MBHT), a revolving loan fund created to increase the supply of affordable housing for low-income households. Through this Agreement, projects within the City of Salinas would be eligible for MBHT loans to finance acquisition, predevelopment or construction of affordable housing. The City’s contribution of \$500,000 would leverage a lending capacity of \$2 million dollars for projects in Salinas.

There is a need for thousands of affordable homes in our region. During the 2014-2023 period, the Association of Monterey Bay Area Governments projects that we need at least 888 homes in Salinas to meet the housing needs of our most vulnerable low and very low-income households. With the elimination of redevelopment and the stagnant or lower investment from state and federal housing funding sources, our ability to meet the needs of our residents is severely constrained.

While resources dwindle, state government is contemplating imposing penalties on jurisdictions that fail to meet the Regional Housing Needs Allocation (RHNA) outlined in the General Plan Housing Element and required by State Law. This unfunded mandate will require jurisdictions to figure out creative ways to increase housing supply. With the creation of the Monterey Bay Housing Trust, the City of Salinas and local developers have another tool to help finance affordable housing and help us achieve our RHNA goal.

MBEP has partnered with the Housing Trust Silicon Valley (HTSV) to identify qualifying affordable housing projects and provide 20% of the loans to approved projects. HTSV will provide 80% of the

loans to approved projects. HTSV will also provide all credit analysis, underwriting, loan processing, and any default workout as needed. Founded in 1998 and having invested nearly \$100 million to create over 12,000 housing opportunities in Silicon Valley, HTSV has a long and successful track record as a housing trust. This partnership brings together two capable organizations: MBEP to provide technical support through advocacy and coordination and to identify loan applications and the Housing Trust Silicon Valley to deliver high quality loan processing, credit approval, and loan administration.

ISSUE:

Shall the City Council approve a resolution authorizing the City Manager to enter into an Agreement with the Monterey Bay Economic Partnership (MBEP) to contribute \$500,000 over the next three years to the Monterey Housing Trust Fund?

FISCAL IMPACT:

The City of Salinas has been asked to make a financial contribution to the Monterey Bay Housing Trust up to \$500,000. The funds would be structured as a loan at a four to one (4:1) ratio allowing greater lending capacity to jumpstart much needed housing production. As a loan, funding would be re-paid over time creating a long-term, sustainable resource.

To minimize the financial impact, the City would allocate funding in three installments over the course of three years with the proposed distribution of \$100,000 at mid-year during this fiscal year, \$200,000 in fiscal year 17/18, and \$200,000 in fiscal year 18/19. It is likely that funding would be earmarked from the General Fund. However, there may be other sources of funding that can be tapped such as Measure G or the Inclusionary Housing Trust Fund. These funds would be allocated during the regular budgetary process and approved by City Council. Because of restrictions imposed from the U.S. Department of Housing and Urban Development (HUD), federal funds including HOME, CDBG, and ESG cannot be used for this purpose.

TIME CONSIDERATIONS:

Once the Agreement is signed, the City can begin work with MBEP on proposed housing projects in need of the loan. A delay in approving the Agreement would slow progress on these projects potentially escalating construction costs and causing a larger funding gap. It also could impact potential acquisition of housing sites. With very limited availability of land, this could severely limit future housing development.

ALTERNATIVES/IMPLICATIONS:

As an alternative to approving this Agreement, the City Council could decide not to participate. If we do not participate, lending capacity of the Monterey Bay Trust Fund would be greatly reduced and housing projects within Salinas may not be eligible for funding. Without this financing tool, it will be more difficult for the City to reach its RHNA target.

CITY COUNCIL GOALS:

This Agreement will help the City achieve the Well Planned City and Excellent Infrastructure Goal and further the specific objective of collaborating with various partners to establish a Housing Trust Fund for the Region.

CONCLUSIONS:

According to the National Low Income Housing Coalition, housing has become out of reach for many Californians. In the Salinas Metropolitan Statistical Area (MSA), the average worker would have to work 77 hours just to afford rent for a two-bedroom apartment. Currently, the average rent for a two-bedroom unit in Salinas is \$1,399. This is almost double that of what the average worker could afford. Over the last couple of years, Salinas has experienced some of the greatest housing cost increases in the State, evident by growing homelessness and overcrowding.

Through the recent update of the Housing Element and City Council Strategic Plan, the City has affirmed its desire to increase, improve or preserve affordable housing for its residents, including persons and families of low and moderate income or very low income. The City Council specifically called out the objective of collaborating with partners to establish a Housing Trust Fund for the Region in the Strategic Plan. By approving this Agreement, the City Council is essentially accomplishing this objective and providing a critical tool to further the development of affordable housing in the City to address this critical need.

Attachments:

Monterey Bay Housing Trust Fund Resolution
Monterey Bay Housing Trust Fund Agreement