



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: SEPTEMBER 12, 2023

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: LISA BRINTON, DIRECTOR

BY: MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST

TITLE: PURCHASE AND SALES AGREEMENT FOR 1028 LARKIN CIRCLE

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing the Mayor to execute a Purchase and Sales Agreement (PSA) in the amount of six hundred ninety thousand dollars (\$690,000) for a single-family residence located at 1028 Larkin Circle in the City of Salinas utilizing the American Rescue Plan Act (ARPA) funding for the purchase.

EXECUTIVE SUMMARY:

In recognition of the critical need for more affordable housing in Salinas, the City Council appropriated \$7 million from the American Rescue Plan Act (“ARPA”) to the Affordable Housing Production Fund. Since then, staff have been working diligently to identify projects that would advance the City’s affordable housing goals. On August 23, 2023, during closed session, staff presented the opportunity to City Council to acquire 1028 Larkin Circle, a single-family residence that has potential for construction of an Accessory Dwelling Unit (ADU). After receiving Council direction, City staff reached out to the realtor with a purchase price of six hundred ninety thousand dollars (\$690,000), contingent on the appraised value and pending completion of the City’s 5-day due diligence period. Escrow would close within 5 days after execution of the Purchase and Sales Agreement but not before receipt of the appraisal report.

The Community Development Department Economic Development Division will manage the property and with the support of the Housing Division will develop a rental plan consistent with Fair Housing regulations to rent the Property to a family that is extremely low, very low, or low income. Citizenship or residency would not be a requirement to apply.

BACKGROUND:

The 2015-2023 Housing Element identified that a significant portion of Salinas’ households are considered “cost burdened”. Households are considered cost burdened when they spend more than 30% of their income on rent, mortgage, and other housing needs. Among renters, almost 53 percent

of households paid more than 30 percent of their income towards housing costs. Almost 49 percent of owner-households paid more than 30 percent of income towards housing costs. Over the subsequent years, affordability has gotten even more challenged. As a result, the City Council has made providing affordable housing a strategic plan priority. On November 16, 2021, Council approved Resolution 22250 appropriating \$7 million (\$7,000,000) from the American Rescue Plan Act (“ARPA”) to the Affordable Housing Production Fund authorizing the funds to be used for predevelopment, acquisition, construction, plans, and studies. Staff have been actively soliciting proposals for the use of these funds from developers and has also explored opportunities for the City to acquire both developed and undeveloped properties for housing. In reviewing properties for acquisition, staff discovered 1028 Larkin Circle (Assessor’s Parcel Number [APN] 261-732-019-000), which is unique in that it is comprised of 4 bedrooms 2 baths on a 9,235 sqft lot that has potential for the construction of an ADU.

DISCUSSION:

1028 Larkin Circle (“Property”) is currently owned by a Trust, the Property was offered for sale with an asking price of six hundred and seventy-five thousand dollars (\$675,000). It is a single-story property with approximately 1,232 square feet of living space on a 9,235 square foot lot built in 1978. The Property has been well maintained, both exterior and interior are in good condition. The only immediate anticipated improvements to the Property are the addition of a water softener system, replacement of the stove, and converting the nonpermitted living space in the garage to a standard 2-car garage.

After closed session on August 23rd, staff contacted the agent representing the owners of 1028 Larkin Circle, which has been on the market since August 15, 2023. Staff negotiated a purchase price of six hundred and ninety thousand dollars based upon real estate comps for similar properties. The property did receive two additional offers that fell through for no fault of the property. This purchase price is contingent on an appraisal of the property’s fair market value. The sellers Brokerage firm, Steinbeck Real Estate, will receive 3.0% of the purchase price as compensation for the sale in escrow with the City receiving a 2% credit from the purchase price. Escrow will close following the execution of the PSA, the completion of the City’s 5-day due diligence period, and receipt of an appraisal report. City staff has reviewed the property home inspection report, wood destroying pests and organisms’ inspection report, and Preliminary Title Report and will coordinate an appraisal report. Based on the information from the reports received, staff believes the property to be in good condition with normal wear and tear that is expected for the age of the home.

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action, acquisition of an existing single-family residence, is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the

environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The proposed acquisition supports the City of Salinas Strategic Plan 2023-2025 goal of Housing/Affordable Housing. This acquisition represents an increase in local affordable housing stock and will provide a stable, long-term housing opportunity for up to one large low-income family and potentially two with the construction of an ADU on the property.

DEPARTMENTAL COORDINATION:

CDD’s Economic Development Division continues to coordinate with both the Housing and Permit Services Divisions of the Department in identifying and vetting viable properties. Additional consultation regarding the preparation of the draft PSA has also occurred with the City Attorney.

FISCAL AND SUSTAINABILITY IMPACT:

Council approved Resolution 22250 appropriating \$7 million (\$7,000,000) from the American Rescue Plan Act (“ARPA”) to the Affordable Housing Production Fund. The Purchase Price for the Property is six hundred and ninety thousand dollars with the estimated escrow cost of three thousand and sixteen dollars (\$3,016.00). As part of the resolution, City Council would authorize the expenditure of six hundred and ninety dollars for the purchase of the property and use of the Housing Production CIP for escrow expenditures.

Upon taking ownership, the City will assume responsibility for ongoing property maintenance costs, remediation and repair, and property taxes. The annual costs of property maintenance will be minimal as this property has been kept in good condition. Property taxes will initially be approximately \$8,625 per year. These ongoing costs will be covered by the rental income received from the Property.

ATTACHMENTS:

1. Resolution
2. PSA – 1028 Larkin Circle – Draft, including a Legal Description, Grant Deed, and Certificate of Acceptance
3. Aerial Photograph – 1028 Larkin Circle