



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: **SEPTEMBER 10, 2024**

DEPARTMENT: **COMMUNITY DEVELOPMENT**

FROM: **LISA BRINTON, DIRECTOR**

THROUGH: **FRANCISCO BRAMBILA, ACTING PLANNING MANAGER**

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

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

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

- 1) the City Manager, or designee, to finalize, execute and issue a Conditional Funding Commitment Letter to the Housing Authority of the County of Monterey (HACM) for the development of a proposed one-hundred percent affordable multifamily rental housing project at the Division Street properties (921 E. Market St. and 115-151 Division St);
- 2) the commitment of \$1,380,000 in appraised land value of the Division Street properties and \$1,700,000 from the LHTF Program (Fund 2306) funds for project predevelopment and construction cost; and
- 3) the appropriation of a FY 24-25 LHTF budget in the amount of \$1,700,000.

EXECUTIVE SUMMARY:

The Monterey County Housing Authority Development Corporation (HDC), the development arm of HACM, was selected as the developer for seven City owned parcels on the west side of Division Street through a Request for Proposal (RFP) selection process (2020-2021). To facilitate the development of this project, the City is proposing to conditionally commit funds from the Salinas Local Housing Trust Fund (LHTF) to HACM in the amount of \$3,080,000 for the predevelopment and construction costs of the project.

BACKGROUND:

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 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 HDC, the development arm of HACM, submitted the only complete response, and was the selected developer for the project.

HACM's proposed project is anticipated to create 48 units targeted for low, very low, and extremely low-income farmworker families (Project). 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 funds towards the construction of the Project.

Staff is proposing to conditionally commit funds from the LHTF to HACM in the amount of \$3,080,000 towards the project's 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.

The commitment of LHTF program funds will be in the form of a loan. The proposed loan terms are a simple interest rate loan with up to three percent (3%) and a loan term of fifty-five (55) years as it has typically been the City's practice. The Project will also carry a deed restriction requiring a fifty-five (55) year affordability period from the issuance of the project's Certificate of Occupancy.

Final commitment of 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 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.

DEPARTMENT COORDINATION:

Coordination and collaboration of this item has been led by the City's Community Development Department Housing and Community Development Division in consultation and partnership with the City Attorney and Finance Department.

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). Future actions related to the development of the proposed Project will be evaluated for CEQA

compliance.

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* as the objective of the commitment of LHTF funds is to facilitate the production of affordable housing.

FISCAL AND SUSTAINABILITY IMPACT:

Approval of the Conditional Commitment Letter will not have an impact to the City's General Fund. Funding for a potential future LHTF Funding Agreement between the City and HACM is contingent on this Council's approval to create a FY 24-25 budget for LHTF and appropriate the monies from the fund balance to the budget.

ATTACHMENTS:

Resolution
Draft Conditional Commitment Letter