



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE:** SEPTEMBER 12, 2023  
**DEPARTMENT:** COMMUNITY DEVELOPMENT DEPARTMENT  
**FROM:** LISA BRINTON, DIRECTOR  
**THROUGH:** ROD POWELL, ASSISTANT DIRECTOR  
**BY:** MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST  
**TITLE:** ESTABLISHMENT OF AN AFFORDABLE HOUSING ENTERPRISE FUND

RECOMMENDED MOTION:

A motion to approve a resolution authorizing:

1. the establishment of an Affordable Housing Enterprise Fund with corresponding revenue and expense accounts; and
2. the allocation of all rental income received from City-owned properties purchased for use as affordable housing to the Affordable Housing Enterprise Fund.

EXECUTIVE SUMMARY:

The City has recently utilized funds awarded through the California Interagency Council's Homelessness (Cal ICH) Family Homeless Challenge (FHC) grant and prior allocation of its American Rescue Plan Act (ARPA) funds to acquire and maintain ownership of residential properties. Establishment of an Affordable Housing Enterprise Fund is intended to provide an adequate, ongoing source of sustainable funds necessary to effectively manage, maintain, and improve these City-owned housing assets through both routine maintenance and emergent repairs.

BACKGROUND:

In response to the growing demand for affordable housing options within our community, the City has taken significant recent steps to acquire existing for-sale residential properties within its jurisdiction with an intent of repurposing them for affordable housing. Acquisition of these properties represent an additional opportunity for the City to further support the provision of safe, sustainable, and affordable living spaces for our residents.

On November 16, 2021, Council approved Resolution 22250 appropriating seven million dollars (\$7,000,000.00) from the American Rescue Plan Act ("ARPA") to the Affordable Housing Production Fund and authorizing the funds to be used for predevelopment, acquisition,

construction, plans, and studies. Additional funding to support the acquisition of single-family homes and additional Accessory Dwelling Units (ADUs) also came forward in 2022 when the City was awarded funding from Cal ICH through its competitive Family Homeless Challenge grant.

On March 7, 2023, the City Council approved the Purchase and Sales Agreement for a two-story townhouse duplex located at 403 E. Romie Lane. Following a short acquisition process, both units were quickly offered and leased to two families sheltered by the City's co-funded SHARE Center and each family was able to immediately leverage available resources, including Section 8 housing vouchers, to finally obtain a safe, affordable living space. In recognition of this efficient successful model, staff are seeking to replicate the process and continue to search for appropriate opportunities to acquire and expand the City's support of affordable housing opportunities.

#### DISCUSSION:

The establishment of a new Affordable Housing Enterprise Fund (AHEF) will facilitate and support the ongoing management and maintenance of City-owned housing assets acquired through various affordable housing initiatives. As part of the City's ongoing commitment to address the critical need for affordable housing within our city, this dedicated account will enable efficient and transparent management of rental revenues and expenses associated with these properties. Funds allocated to the AHEF will be exclusively dedicated to managing and maintaining the City's affordable housing properties and will also support transparency and accountability, a necessary mechanism for required financial tracking, efficient resource allocation, and compliant reporting and auditing as required by available source funding.

The Economic Development Division of the Community Development Department will assume primary management and responsibility of the AHEF, including the initiation of transactions, budgetary planning, and financial reporting. Establishment of this dedicated account will significantly enhance the City's ability to manage, maintain, and incorporate this new type of affordable housing asset into its existing real estate portfolio.

#### DEPARTMENT COORDINATION:

Community Development Department staff have coordinated with the Finance Department to determine that an enterprise fund is the best mechanism to establish a compliant, long-term tracking and management of the ongoing financial needs of City-owned affordable housing assets.

#### CEQA CONSIDERATION:

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). 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. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

This item furthers the City of Salinas Strategic Plan 2022-2025 Goals and Strategies of Housing/Affordable Housing through active acquisition, preservation, and provision of affordable housing.

FISCAL AND SUSTAINABILITY IMPACT:

Establishing the AHEF will have no impact to the general fund. All rental income received will be used for ongoing maintenance and long-term sustainability of properties as well as the payment of any necessary property tax obligations.

ATTACHMENTS:

Resolution