

## **Attachment D**

### **Detailed Discussion**

#### Background

In 2017, the City and County began discussions on planning for the future construction and operation of a year-round Homeless Shelter and permanent supportive/transitional housing at 1220 Natividad Road. Agreement between the County and City to mutually plan and implement these two proposed projects was formalized on March 20, 2018, where the Board of Supervisors (Board) and City Council (Council) directed staff to proceed with an agreement to establishing responsibilities between the two jurisdictions on the development of the permanent supportive/transitional housing project at 1220 Natividad Road and the year-round Homeless Shelter at 845 East Laurel Drive. On May 29, 2019, the County was awarded \$6,018,100 in funding through the Homeless Emergency Aid Program (“HEAP”) by the Continuum of Care for Monterey and San Benito Counties for the construction of a year-round Shelter at 845 East Laurel Drive. The County soon began the construction of the year-round Homeless Shelter, which was named “Salinas Housing Advancement, Resources & Education Center”, or more simply known in the community as the “SHARE Center.” The SHARE Center opened its doors to clients on May 31, 2021, and the County and City continue to coordinate to provide services and fund operations of the SHARE Center.

From the experience gained through the construction of the SHARE Center, staff identified that the preferred location for affordable housing would be to co-locate it next to the SHARE Center at East Laurel Drive in Salinas rather than 1220 Natividad Road site. The site preparation and utility work already on site for the SHARE Center will assist in the facilitation of the proposed future affordable housing development, and the East Laurel Drive site is most appropriate for affordable housing with a focus on families. On June 22, 2021, the City and County formally entered into a Memorandum of Understanding (MOU) Regarding the Coordination of Responsibilities Related to the Operation of the SHARE Center and Development of Affordable Housing at 845 East Laurel Drive in Salinas, California by and between the County and City (2021 MOU). In early 2022, County and City staff began working to prepare the RFQ to seek a highly qualified developer for the design and development of this Proposed Project.

The 2021 MOU designates, pending funding, that the County will be Lead Agency for purposes of environmental review. The City will act as lead project manager facilitator during the process for the selection of Housing Developer for the affordable housing project, in coordination with the County.

#### Request for Qualifications

On May 6, 2022, the County and City jointly released an RFQ seeking a highly qualified developer (non-profit and/or for-profit) for the design and development of the Proposed Project. The Proposed Project’s subject site is located at 855 East Laurel Drive, and it is a on County-owned property. The RFQ identified the Proposed Project will be geared toward very low and low-income families with a minimum of 50 rental units. The RFQ indicated that, at a minimum, the selected developer would be required to enter into a lease agreement with the County and City that will include a 55-year term, 55-year affordable housing restriction, and additional terms regarding the developer’s on-site professional management and maintenance responsibilities. Projects that provide greater affordability were awarded higher points in the selection process.

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RFQ proposals were initially due on June 6, 2022, but the deadline was extended to June 24, 2022, by the County and City staff upon request from the interested developers. The County and City received eight (8) proposals. The County and City assembled a rating and ranking panel to review, evaluate proposals and interview top development teams. Panel members included 2 staff from the City Community Development Department, 2 staff from County HCD, 1 staff from County Administrative Office-Homeless Services, 1 staff from the City of Monterey, and one from the Salinas Regional Soccer Complex.

Out of the proposals received, seven (7) were accepted and one (1) proposal was disqualified due to late submission. It should be noted that the disqualified proposal was initially scored by the rating and ranking committee, unfortunately during this process, City and County staff realized that the proposal had been submitted after the due date and time. City and County staff consulted with legal counsels, and it was determined that the disqualification of this proposal was both justified and necessary to maintain the equitable integrity of the RFQ process.

The rating and ranking panel completed its ranking of the seven (7) accepted proposals on July 21, 2022, and the four top-ranking development teams were interviewed by the panel on July 27, 2022. Based on the proposals submitted and interviews, the panel unanimously agreed that Eden Housing emerged as the most qualified and experienced developer to take on this Proposed Project.

#### *Issues and Considerations*

##### *Land and Financial Contributions*

The selected developer will be responsible for securing sources of financing and operating subsidies. The City and County will be partners in discussions with the developer and funding agencies. In addition, pending availability of funding, the County and City may be needed to participate financially by providing gap financing to assist meeting the project's development costs. The City of Salinas identified it has access to approximately \$7 million in competitive funds for affordable housing projects in the City for which this project could compete.

The County as the landowner and consistent with the 2021 MOU, plans to encumber its land to support an affordable housing project by providing the land through a long-term lease. The lease value will be used to account as part of the County's financial contribution toward the project. At this time the County does not have any identified additional funding that could be made available for this project; however, should the County identify funding sources to support affordable housing development, this project could compete for those identified funding sources.

##### *Access and Compatibility*

The RFQ requested proposals consider and evaluate the potential access points to the project site. One access point for the project is Veterans Way, the existing County-owned driveway that provides access to the County of Monterey Corporation Yard, SHARE Center, and Mission Trails Regional Occupational Program (ROP). Improvements to and considerations for on-going maintenance of Veterans Way will need to be addressed with the developer, and the terms of which will be negotiated as part of a lease agreement. Access via Veterans Way would also have value and should be accounted for as part of the County's financial contribution to the project.

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A second potential access point is off East Laurel Drive at the southeastern portion of the parcel. Access at this location would be new and need to be designed and developed. Access at this location would need to be compatible with any potential future recreational development at the site the adjacent to East Laurel Drive, currently a proposed bike and skate park.

#### *Regional Housing Needs Allocation Credits*

The housing units to be constructed as part of this proposed affordable housing development count toward satisfying the region's Regional Housing Needs Allocation (RHNA). RHNA credits are given to the jurisdiction that issues the building permits for affordable housing units. The 2021 MOU identified that the City of Salinas, subject to funding, will provide staff resources to assist and expedite permitting of facilities at the Property. However, it was not the intention of the 2021 MOU to give, by default of anticipated permitting roles, all the RHNA credits to the City. County and City staff have been discussing a potential approach for assigning the RHNA credits for this project that may include the County and City issuing building permits for different portions of the development proportional to each jurisdiction's financial contribution to the project.

#### Next Steps

In the months to come, the County, City, and Developer staff will engage in negotiations to enter into an Exclusive Negotiating Agreement (ENA) for the affordable housing development at 855 East Laurel Drive. In addition, County and City staff have identified needed updates to the existing Memorandum of Understanding (MOU) between the County and City to address an agreed upon approach for sharing Regional Housing Needs Assessment (RHNA) credits and the potential allocation of funds for the predevelopment cost of this Proposed Project. Once these items are accomplished, the County and Developer will engage in negotiations to enter into a Ground Lease (Lease) for the Proposed Project. For these future tasks and steps in the development of this Proposed Project, staff will bring these items to the Board for review and approval.

The current understanding is that the County and City will split the RHNA credits evenly, each party receiving credit for 50% of the total units produced. There is no request for the County or City to commit any funds to support the Project at this time. Eden Housing has requested \$500,000 in funding to offset the pre-development costs, and the City is contemplating identifying a funding source for this offset request. The County and City will be partners in discussions with other agencies that offer permanent financing and operating subsidies toward affordable housing developments. After further discussions between Eden Housing, the City and County, future funding for pre-development costs or other Project gap funding would be memorialized by future agreement and brought to the Board and City Council, respectively, for consideration at a later date.