

# Attachment 2

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# County of Monterey

**Item No.94**

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: A 26-238**

**June 23, 2026**

**Introduced:** 6/2/2026

**Current Status:** Passed

**Version:** 1

**Matter Type:** BoS Agreement

- a. Approve subordination agreements that will place the County's loan in a lower collateral position behind loans from the California Department of Housing & Community Development HOME and HOME ARP programs; and
- b. Approve Amendment No. 2 to the Declaration of Affordability Covenants that will reduce the number of income restricted bedrooms for the project but results in more affordable units being available overall.
- c. Authorize the Director of Housing and Community Development to sign two Subordination Agreements, and Amendment No. 2 to the Declaration of Affordability Covenants for Shelter Cove (City of Marina).

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve subordination agreements that will place the County's loan in a lower collateral position behind loans from the California Department of Housing & Community Development HOME and HOME ARP programs; and
- b. Approve Amendment No. 2 to the Declaration of Affordability Covenants that will reduce the number of income restricted bedrooms for the project but results in more affordable units being available overall.
- c. Authorize the Director of Housing and Community Development to sign two Subordination Agreements, and Amendment No. 2 to the Declaration of Affordability Covenants for Shelter Cove (City of Marina).

### SUMMARY:

In 2005, the County provided a \$100,000 loan to Interim, Inc. to construct Shelter Cove on the former Fort Ord. County funding for Shelter Cove required the provision of transitional housing for 32 very low-income and formally homeless individuals in multiple buildings on a 2.24-acre site. Interim, Inc. is proposing to demolish a building that would require a reduction in the number of required transitional beds from 32 to 30 and replacing it with the new 24-unit Marina Kai Apartments containing 23 studio units that will house 23 very low-income tenants who are homeless or at-risk of homelessness in permanent housing. The project also includes one resident manager unit. To accomplish this objective, Interim, Inc. is requesting that the County subordinate its existing loan to two loans issued by the California Department of Housing and Community Development and amend its Declaration of Affordability Covenants to reduce the overall number of transitional beds available by two. The Amendment includes as an exhibit a map showing the buildings containing the remaining 30 transitional housing beds.

DISCUSSION:

Interim, Inc. gained control of five buildings on Bayonet Circle in Marina through the McKinney Act in 1996. Since then, Interim has developed several residential treatment programs and community facilities. The County has supported these projects with loans to Sandy Shores and Shelter Cove. Cumulatively, these developments provide 32 bedrooms of transitional housing for homeless individuals with psychological disabilities. In 2018, Interim obtained approval from the U.S. Department of Health and Human Services (HHS) to operate under a “health facility designation” rather than the U.S. Department of Housing and Urban Development (HUD) definition, allowing a broader range of eligibility for these transitional units. The change in designation allows Interim to house formally homeless persons exiting treatment programs than were allowed under the HUD definition.

Interim, Inc. is proposing to demolish one building on Bayonet Court that currently provides transitional housing beds and replace it with a new, three-story building with 23 studio apartments and one resident manager unit. All 23 units will be restricted to those who are homeless or at-risk of homelessness with a preference for adults who have a serious mental illness using a housing first philosophy. Prospective tenants will benefit from having an onsite manager and supportive services.

The recommended actions are necessary to facilitate development of the Marina Kai Apartments. As previously discussed, there are 5 buildings on one parcel, all of which are encumbered by the County’s Deed of Trust securing its loan for Shelter Cove. Interim would need the County to subordinate its security interest to the California Department of Housing and Community Development to record loans from the HOME Investment Partnership Act and HOME Investment Partnership Act - American Recovery Program that will finance construction of Marina Kai. Amendment No. 1 to the Declaration of Affordability Covenants currently requires Interim, Inc. to rent 32 bedrooms to very low-income people who are homeless or at risk of homelessness. Amendment No. 2 is necessary because Interim is proposing to demolish one building that will reduce the total number of supportive housing beds by two. Staff supports reducing the number of transitional supportive housing beds because the new Marina Kai Apartments will add 23 new permanent supportive housing apartments.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

County Counsel has approved the amended Shelter Cove Declaration of Affordability Covenants and Shelter Cove State HOME Subordination Agreement as to form. The City of Marina is the lead agency for permitting and building inspection of the Marina Kai Apartments. The project is receiving density bonus consideration and must comply with the City’s Inclusionary Housing Ordinance. The City will be recording a City Rental Regulatory Agreement and Declaration of Restrictive Covenants on the property. This document is senior to all lien holders and runs with the land.

HOUSING IMPACTS:

- Reduces constraints on Housing Development
- Increases constraints on Housing Development
- Neutral
- Not applicable [N/A]

Approving the recommended actions will allow Interim, Inc. to secure construction financing for 23 new affordable units.

FINANCING:

There is no impact on the General Fund associated with the recommended actions. Interim, Inc. is current on all its loans from the County of Monterey.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

The recommended action will allow Interim, Inc. to increase the number of affordable permanent supportive housing units available for Monterey County residents. This supports the Boards Goals for improving well-being and quality of life and creates more affordable housing infrastructure for the present and future.

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future
- Safe and Resilient Communities
- Diverse and Thriving Economy
- Dynamic Organization and Employer of Choice

Prepared by: Darby Marshall, Housing Program Manager, x5391

Approved by: Craig Spencer, Housing and Community Development Director, x5233

Attachments:

- Attachment A - Shelter Cove Declaration of Affordability Covenants
- Attachment B - Amendment 1 Shelter Cove Declaration of Affordability Covenants
- Attachment C - Amendment 2 Shelter Cove Declaration of Affordability Covenants
- Attachment D - Shelter Cove State HOME Subordination Agreement

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